

IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947—PART V

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1953 No. 134)

TO CONFIRM THE
BRITISH TRANSPORT COMMISSION
(PASSENGER) CHARGES
SCHEME, 1953

WEDNESDAY, 1ST APRIL, 1953

SIXTEENTH DAY

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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

WEDNESDAY, 1st APRIL, 1953

PRESENT:

HUBERT HULL, Esq., C.B.E, (President)
A. E. SEWELL, Esq.
J. C. POOLE, Esq., C.B.E., M.C.

Mr. HAROLD I. WILLIS, Q.C., Mr. E. S. FAY, and Mr. KENNETH POTTER (instructed by Mr. M. H. B. Gilmour, Chief Legal Adviser to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. H. V. LLOYD-JONES, Q.C., Mr. LEON MacLAREN, and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr) appeared on behalf of the London County Council.

Mr. GEOFFREY LAWRENCE, Q.C., Mr. J. RAMSAY WILLIS and Mr. CHRISTOPHER HODSON and Mr. W. J. GLOVER (instructed by Sir Clifford Radcliffe, C.B.E., Solicitor and Clerk to the Middlesex County Council) appeared on behalf of the following County Councils: Middlesex, Berkshire, Buckinghamshire, East Sussex, Essex, Hertfordshire, Kent and Surrey.

Sir SHIRLEY WORTHINGTON-EVANS (instructed by Mr. Desmond Heap, Comptroller and City Solicitor) appeared on behalf of the Corporation of London.

Mr. J. RAMSAY WILLIS and Mr. W. J. GLOVER (instructed by Mr. W. O. Dodd, Deputy Town Clerk) appeared on behalf of Brighton Corporation.

Mr. LEON MACLAREN (instructed by Messrs. Blatchfords) appeared on behalf of the London Printing and Kindred Trades Federation.

Mr. G. R. ROUGIER (instructed by Mr. Archibald Glen, Town Clerk) appeared on behalf of Southend-on-Sea Corporation.

Mr. G. R. ROUGIER appeared on behalf of County Borough of Southend-on-Sea Railway Travellers' Association.

Mr. D. J. TURNER-SAMUELS (instructed by Mr. W. H. Thompson) appeared on behalf of London Trades Council.

Mr. GEOFFREY RIPON (instructed by Mr. R. H. Buckley, Town Clerk) appeared on behalf of East Ham County Borough Council.

Mr. GEOFFREY RIPON (instructed by Mr. G. E. Smith, Town Clerk) appeared on behalf of West Ham County Borough Council.

Mr. GEOFFREY RIPON (instructed by Mr. G. E. Smith, Town Clerk) appeared on behalf of South-West Essex Traffic Advisory Committee.

Mr. STANLEY WILLIAM HILL recalled.

Examination by Mr. GEOFFREY LAWRENCE continued.

5201. (*Mr. Geoffrey Lawrence*): We were dealing yesterday afternoon with the matter of the abnormal maintenance account. We had not quite finished your evidence upon that point, and for the purposes of convenience on resumption this morning, may I direct your attention to what you said relating to those alternative propositions which you enunciated. You remember?—I do, yes.

5202. Arising, I think, each one of them out of the fact that there had been so little allocation over the past five years in respect of the London Transport from the abnormal maintenance fund?—Yes.

5203. If I may just remind you for the purposes of making a starting point this morning, you had said that there were three alternative propositions, either that the original maintenance allowance was too high?—Yes.

5204. (*Mr. Poole*): Do you mean the standard maintenance charge?—The standard, yes.

(*Mr. Geoffrey Lawrence*): The standard under the Control Agreement.

Mr. C. OSMOND TURNER (instructed by Messrs. Carpenter, Wilson & Smith) appeared on behalf of London Passengers' Association.

Mr. GEORGE W. REYNOLDS represented London Federation of Trades Councils.

Miss DOROTHY D. FORSTER represented the Walthamstow Trades Council.

Mr. J. W. SYKES represented Edmonton Trades Council.

Mr. F. A. RULER represented the Federation of Residents' Associations in the County of Kent.

Mr. H. S. VIAN-SMITH represented The Association of British Chambers of Commerce.

Miss H. C. HART represented The National Association of Women Civil Servants.

Mr. N. J. LEWISOHN represented Whyteleafe & Kenley Residents' Association.

Mr. C. M. HAMILTON represented The Accountant-General's Department, Civil Service Clerical Association (Bickley Branch).

Mr. HYMAN FRANKEL represented The National Union of Bank Employees.

Mr. J. F. PLEYDELL represented Pitsea, Vange & District Resident Ratepayers' Association.

Mr. STANLEY MAYNE represented the Institution of Professional Civil Servants.

Mr. D. KELLY represented the South Essex Branch of the Communist Party.

Mr. J. E. MORISH represented the Post Office Engineering Union.

Mr. J. REID represented the London North and London South District Committees of the Amalgamated Engineering Union.

Mr. ALEXANDER HALLIDAY represented the North London District of the Amalgamated Union of Operative Bakers, Confectioners and Allied Workers.

Mr. D. J. D. WELLUM represented the Benfleet & District Railway Travellers' Association.

5205. (*Mr. Poole*): The uplifted one; it is the 1939 standard uplifted in terms of additional costs and various other factors; is that not right?—Yes.

5206. (*Mr. Geoffrey Lawrence*): If the original standard maintenance allowance was too high, that, I think you said, would explain to some degree the large figure for accumulated arrears of maintenance at the end of 1947?—Yes.

5207. But it would also mean that the present standard maintenance allowance is also too high because that, as we know, has been adjusted from year to year, but is based on the original standard?—That is so, yes.

5208. Still dealing with the first proposition, how would that affect (if that proposition is true) the amount charged against working expenses on London Transport Executive services in recent years?—The consequence of that in the accounts would mean that the off-charge to the abnormal maintenance account would be less than what it otherwise would have been or should have been because

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[Continued]

the standards being too high (those standards measured against the actual expenditure in the year) the off-charge would be too little. That is why that is one possible explanation.

(*Mr. Poole*): Mr. Lawrence, I hope you do not mind me interjecting like this, I want to get it clear.

(*Mr. Geoffrey Lawrence*): It is most helpful, Sir.

5209. (*Mr. Poole*): I am not quite clear about your answer on page 312, to Question 5200. It arose from a question I asked last night, on the last page. Is this not the position, that London, like the rest, is charged with a standard maintenance charge?—Yes.

5210. Each year?—Yes.

5211. If it fails to spend all that it is debited with, the difference is credited in turn to the abnormal maintenance account?—That is correct.

5212. If it overspends it draws that amount from the abnormal maintenance account?—Yes.

(*President*): It draws the amount of the overspending.

5213. (*Mr. Poole*): Of the overspending.—That being deemed to be the amount in making good the normal maintenance.

5214. Yes. What do you mean by off-charge?—I mean the amount debited against the abnormal maintenance account instead of being charged to the revenue account.

5215. You mean the amount drawn for the abnormal maintenance account for the excess that has been spent over the standard charge?—Yes.

5216. It means that, does it?—Yes.

5217. I do not understand what you mean by the £2½m. and the £3m. in Question 5200?—These figures are just illustrations, and I am saying here that if the standard being used gives a figure of £3m. for London buses, then is is the £3m. that is charged against the working expenses and not the £2½m. which may be the actual expenditure in the year.

5218. I see; you are really saying, but if I may say so a little less lucidly, what I have put to you.—That is so; it is by no means as clear as the way in which you put it.

5219. (*Mr. Geoffrey Lawrence*): If I understand it, before I proceed to the next question, what you are really saying is that if the original standard maintenance allowance was too high, having regard to what is done and has been done in the last five years, it would mean that London was not getting its—can I use a colloquial expression?—proper whack out of the abnormal maintenance fund; it was having an excess charged to its revenue?—That would follow, yes.

5220. (*Mr. Poole*): Are we not getting a little confused over talking about the original standard? It is really the standard that existed in each of the five years we are talking about.—That is so, Sir; but it is the original standard that has been used to build up the present standard.

5221. If I am following your point, what I am getting at is that the original standard in 1939 was a London Passenger Transport Board standard, and it was not relative to any other railways or docks or anything else, because it was not part of the Commission?—That is so; they had their own standards.

5222. It is perfectly true that the standard charge in the years that we are talking about, since it was taken over by the Commission, is related to the 1939 standard charge; it is uplifted on account of various factors. But what, if I understand rightly, you are saying now is that if the standard charge is too high, relative to the other entities of the Commission who also draw on the abnormal maintenance, if it is too high relative to them, then they are not getting enough out of the abnormal maintenance allowance?—No, I do not say relative to them; if it is just too high.

5223. If it is just too high. You are thinking of that £3m.?—I am, yes.

(*Mr. Geoffrey Lawrence*): This is a difficult and confusing topic, and we want to get it as clear as possible. What we are doing by putting forward your three alternative propositions, are we not, is to search for an explanation either wholly or in part of the fact that the drawings

from the abnormal maintenance account since the Commission took over, in respect of London, have been so relatively small compared with drawings on the other activities.

(*President*): Drawings by the other activities?

5224. (*Mr. Geoffrey Lawrence*): Yes.—Yes, but what is perhaps more appropriate is that one's attention is drawn to it in the first place by the fact that it is out of all proportion to the other activities.

5225. Yes, that attracts your attention. Then you observe that over five years, there being apparently accrued arrears of maintenance to the value of £31m., only £2½m. over the five years has been drawn?—That is so.

5226. And none in the last year?—The four years actually.

5227. Yes, four years; so your three propositions are searching for an explanation of that fact, either wholly or in part?—That is it; just that.

5228. And your first thesis, to see whether it is wholly or in part true, is that the original standard maintenance figure, 1939, was in fact higher than it should have been if it had been correct?—Yes, that is the first possible explanation.

5229. Yes, and I think you have demonstrated clearly what if that was true the consequences would be as they have affected the financial position of London over the last five years?—Yes. Those consequences being, if I may just repeat them again—it is so involved—that the present standard will also be too high, and because of that the amount charged against this £31m. would be less than it should have been.

5230. (*Mr. Poole*): It is only the consequence surely that matters?—It is only the consequence that matters.

5231. (*Mr. Geoffrey Lawrence*): May I pass to the second proposition; that was I think that the 1939 standard allowance, as now used by the Commission, is excessive or, to put it another way, that they have distorted it and gone wrong over the years by the pluses and minuses that they have applied?—That is so. That is another facet of the same thing really, that perhaps the 1939 figure was not wrong in relation to the position then, but maybe it is in the grossing up of the additions and subtractions for rises in costs, or increases or decreases or at least changes, in the body of assets that—I use the word "error", if I may, for want of another—the error has occurred.

5232. Yes.—If that were the case, the consequence of that would be the same, namely, that the present standard would be too high and the amounts charged against the £31m. too low. So both the first two premises lead one the same sort of conclusion.

5233. They would both, would they not, explain in whole or in part how it comes about that so small an amount has been ploughed back, so to speak, to assist the maintenance costs of London Transport Executive?—That is so. They are both possible explanations of that.

5234. (*Mr. Poole*): There is no means of calculating whether they are too high, whether the 1939 standard was too high or too low, and there is no means of calculating whether the pluses or minuses were right or wrong, is there?—I do not think there is, the only possible way in which it could be calculated is if it had been possible for someone to have assessed the arrears of maintenance at the 1st January, 1948, and assessed them again today, and then from that assessment working back. But, of course, it would be a very difficult thing to do, I did ask question of the Commission in correspondence whether they had got that, but they said it had not been done. I was not surprised at the answer because it would be a difficult thing to do.

5235. In fact all it means is that you cannot do more than express your own view that in fact the standard charge, as applicable to the five years under review, was too high?—Yes, that is so.

5236. Why it was too high you cannot prove?—No, but I can see only three possible reasons, and it is those that I am exhausting.

5237. (*Mr. Geoffrey Lawrence*): We have exhausted two of them, and the third is the explanation I think that Sir Reginald gave me, to use his own words, that there has been a radical change in the assets of the London Transport Executive?—Yes. Instead of their being brought

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up to a higher state of maintenance, instead of the maintenance of those assets being brought up, the asset itself has been discarded and replaced by a new one.

5238. That also, like the other two, would explain the small amount of what you have called the off-charge?—It could explain it.

5239. Can you see any fourth possible explanation, either wholly or in part, of that small off-charge?—There is a fourth, but I have rejected it as not being possible, namely that the arrears of maintenance have not been made good. That is a theoretical fourth explanation, but it just cannot be tenable so far as the bulk of the assets are concerned, I am sure. They would not be running now.

5240. It is defeated as a candidate by the facts, is it not?—Yes, I think it must be. It might apply, of course, in respect of certain assets, but it must be a very small part, so I have rejected the fourth and kept the three only as runners.

5241. (Mr. Poole): I suppose, Mr. Hill, there is also another possibility, and that is that the £31m. is a wrong figure?—Yes, but it could only be wrong if the standard which was used during the Control period was wrong, because that was the means by which the £31m. was produced.

5242. Then there is the figure of £7m. which we know very little about. The actual unspent portion of the maintenance charge was £25m. from £31m., and there was a matter of £6m. or £7m. added on to that.—For arrears of renewals, as I understand it.

5243. It had a rather indefinite explanation naturally by Sir Reginald.

(Mr. Harold Willis): Question 1360 gives the explanation of the £6m. or £7m.; it is on page 99.

5244. (President): On the first suggestion if the original pre-1938 formula was wrong, the payment in respect of London Transport out of the Control funds was excessive?—That would follow I think, yes. It would really mean that the Government did not get as much out of the Control as they should have got during the war period. That would be the consequence of that. But the consequence that I would emphasise is that the present maintenance standard would also—

5245. I appreciate that for the purpose of our present point in this Inquiry it is the five years, 1948 onwards, that matter and it would follow, if your first suggestion is right, that those persons who arrived at the original formula during the Control were wrong?—I am sure it would, yes.

5246. And it would follow therefore, that when the control funds were released, too much was released under the heading London Transport or London Passenger Transport Board, whatever it was.—Yes.

5247. (Mr. Geoffrey Lawrence): Dealing with the third proposition, namely, the renewal of assets rather than repairs, to the extent to which that is true, what do you say, in evaluating the budgetary position of London, is the way to treat the cost of those renewals?—First of all, may I say that that third proposition could provide the entire answer to the mystery had all the assets or the bulk of the assets been renewed; but we know they were not, so it can only provide part of the answer. That produces another feature. If the answer did lie in that explanation, and I assume wholly for the moment, then one finds that as all the new capital expenditure which is being incurred on London comes into the reckoning (whatever the reckoning) for the interest charge, it would really mean that the London maintenance moneys, having gone elsewhere and not being used for maintenance because the assets were for renewal, there was a double charge somewhere because the new capital expenditure is being brought in for interest under another heading. That is a feature to which I do not put a figure.

(President): Well, Mr. Hill, we can try and put a figure can we not? Let us assume the whole of the £31m. or £32m. has been dealt with in that way; what you are saying is as to £30m. of new stock the London Transport should not be asked to bear any part of the interest charges.

5248. (Mr. Poole): I think you have that wrong. Have you not jumped from the £30m. to £40m.?—No.

5249. (President): I take £30m. because I find it easier to multiply by three. Taking that suggestion, I suppose the interest of 3 per cent. on £30m. would be £1m. a year?—Yes.

5250. And the London Transport share on the mode of presentation put forward by the Commission would be about one-tenth of that?—It would be that.

5251. Would it?—Yes, Sir, because we are only dealing with the London £30m.

5252. Let me just start again. I think I may be wrong, but you may be wrong. You are being asked to bear one-tenth on the Commission's calculations, one-tenth of the interest charges on the whole of the stock?—That is so.

5253. You are saying that as to £30m. of that stock we should not be asked to bear one-tenth of the interest on that £30m. No one is asking you to bear more than one-tenth of the interest on stock, are they?—That is so.

5254. You are asking that when they say how much stock, they ought to cross out the figure of £30m.?—Yes.

5255. How much is the interest on £30m. at 3 per cent.?—About £1m.

5256. If they cross out £30m. you are saying, "Do not ask us to pay one-tenth of the interest on that £30m." are you not?—With respect, I think not, Sir.

5257. Very well, I do not quite see where I am wrong at the moment.—The way I would approach it is: There is £30m. here which is worth £1m. a year in interest. That is the money which was for maintenance but not required for that purpose, therefore, £30m. has been spent on new assets. That £30m. is entirely a London figure, and the interest on it entirely a London interest. Therefore, the measure is interest on it and not one-tenth of the interest on it.

5258. I would like it put down into columns. Assuming the stock, other than the notional £30m., was £30m., from which I gather you would admit some proportion of the interest should be paid by London Transport?—Yes.

5259. And then put down in the other column how much the interest would be on the £60m., namely after this addition of the £30m. with which you are not interested?—Yes. And that would lead to £1/10thm.

5260. Yes, it would.—But, I think the position would be this, the fraction would no longer be attained.

5261. But that depends on other considerations. Assuming we have a proper fraction, on the third view (which I appreciate is impossible) namely, it has all gone in renewals, I still do not know why it would relieve you of more than the appropriate percentage, whatever that may be, of the interest on the extra £30m. of stock with which you say you are not concerned.—It would have that effect if one just took the £1/10thm. and gave effect to that £1/10thm. in the way you have done; but the essential fact would remain that we are measuring the interest value of a sum of money which, for this purpose, we are regarding as London money. I think in equity the figure comes to £1m.

5262. I think the arithmetic comes to £100,000.—Yes, if you just take up the £30m. and then follow through the Commission's method of allocating the interest, it just comes to £0.1m. Yes, I would agree with that.

5263. Very well, abandon that for the moment. I think it is a matter of arithmetic.

(Mr. Geoffrey Lawrence): I am not sure that it is, because I think the learned President has touched on a matter which effects quantification at some stage of your evidence on this matter, does it not?—Yes.

5264. Or not?—It affects it, but the figure which I ultimately come to for this adjustment for arrears of maintenance, the £0.5m., does not include any interest element at all.

5265. Then perhaps we can abandon this discussion, and I can make my submission upon it without any further question and answer from you. Whatever the figure may be, as I gather, the principle of the thing that you are contending for, is this—if I may be allowed to put it—that on the basis that there have been total renewals instead of total repairs, and the cost of those renewals has been charged to the Commission's capital account upon which London is expected to pay its share of interest,

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there has been an overcharge, in the way of interest in some figure or another, to London?—I think that would be so, yes. I can see now the bridge between the learned President's approach and mine, and it does lie in the fraction. As you rightly point out, Sir, that involves other considerations, but if the one-tenth were the fraction with the London expenditure in, clearly if that expenditure had been financed out of this, the fraction would be somewhat different from a tenth.

5266. (President): It depends how one arrives at the fraction.—Yes, it depends how one arrives at the fraction. That is the reconciliation between the two points of view.

5267. If the fraction be one-eleventh, the figure would be slightly different from my figure of £100,000. That is were one-ninth again it would be different?—Yes, that is so.

5268. But it is a fraction of the interest which you say you ought not to be asked to answer at all?—Yes.

5269. (Mr. Geoffrey Lawrence): So much, I think for the consequences of the third alternative proposition; the consequences of either of the first two, or the first two in combination, would be, so far as they affect London finances, what—in your own words and not mine?—The consequences would be, in one form or another, an overcharge against London, whether it is through the maintenance, or through interest, or partly in one and partly in the other. But, as I shall show later when I come to put a figure on it, because of the extreme complications of the interest point, in my figure I have had regard only to that element of the, shall I say, shortfall which arises on the propositions (1) or (2), and I have disregarded so much of the shortfall that relates to proposition (3), namely, the renewal of assets. I am not quite sure I was justified in doing that, but frankly I find it so extremely complicated to approach both features together.

5270. Finally, just to round off that part of it, the result of the overcharge to London on one head or another or by a combination of both over the years since the Commission took over, has been that London services, if you are right, have been providing a contribution to the rest of the other services of the Commission?—Yes, a contribution to the total.

5271. Now may I pass from that to another aspect of the matter which arose, I think, somewhere in the questions which I was asking Sir Reginald, when he indicated that the way in which these matters of maintenance had been dealt with was in order to achieve an equalisation of the charge for maintenance over a period of years?—Yes, this is like the second function of this account now.

5272. I think you have already draw attention to it on your Table 109, where we can see substantial instances of the system in operation, which plainly indicates the object of equalisation?—Yes.

5273. You drew attention to the position on the buses and coaches in the years 1950 and 1951, where London had made a contribution—a substantial contribution, of £463,000 in one year, and £649,000 in another year?—Yes.

5274. Is that principle of equalisation, so far as the maintenance charges are concerned, one of universal application in the activities of the Commission, or not?—No. It applies I think throughout the Railways and the Docks, but it does not apply to Road Haulage and it does not apply to provincial road passenger services.

5275. Is this right, that the theoretical justification of such a system is to secure an even spread of the maintenance expenditure?—That is the theoretical justification of it, yes.

5276. But if I have understood those things, it is based fundamentally upon the annual application of a notional maintenance standard?—Indeed it is, yes. That same standard brought up to date again all the time is being used for that purpose, of course, and if it be that for either of the reasons stated the standard is too high or too low, then of course the whole policy of equalisation involves wrong charges.

5277. If I can just have your evidence on the matter, which I do not think in essence differs from what Sir Reginald told me, certainly in relation to another formula on another part of the case, what do you say may well have happened to a formula of this kind over the years?—I should have thought there was every possibility of it

getting rather badly distorted, and that it would have been difficult to measure what must be thousands of pluses and a few minuses, with accuracy. It is abundantly clear to me that it could get badly distorted.

5278. If my recollection serves me correctly, I think Sir Reginald did tell me that they had got to the stage when they felt that some change in the system was probably appropriate, for one reason or another?—Yes.

5279. However, we are dealing with it up to date.—But in fairness to Sir Reginald, I think he said that a change in this charging over for normal maintenance had come to an end, and they had got to the stage, nearly eight years after the transfer, or something like that. But I think he contemplated a combination of this equalisation of maintenance charge in the future.

5280. Yes, that is right.

(Mr. Poole): Applicable to London separately?—There was an indication that they might be able to do it by treating London separately.

(Mr. Harold Willis): It is question 1394 on the Sixth Day.

(President): What he said was: "By and large we think, by the end of 1953, we will be able to forget the wartime formula, at any rate so far as London Transport is concerned, and start afresh".

5281. (Mr. Geoffrey Lawrence): Yes, that is what I had in mind. In the circumstances and conditions which have governed the Commission's financial arrangements, what do you say is the application of this equalisation system? Is it good in theory, or not?—I am not at all sure that it is good in theory. The theoretical justification for it, as has been mentioned, is to level up the charge for maintenance over the years, and I think it is right to look at it in connection also with the depreciation provision. It is often said that the two together—and it is a good charge from a financial point of view to get the two together—involve something like an equal charge over the period, and it is true that in the accounts of the British Transport Commission—

5282. (President): I am afraid I cannot hear what you are saying.—It is true that in the accounts of the British Transport Commission, depreciation is provided on the straight-line method, that is to say, if an asset is deemed to have 12 years of life, one-twelfth of it is written off each year; but of course the combination of the straight-line depreciation method and an equalisation maintenance charge is really to have the effect of putting a greater charge in the early years than against the later years. That sounds almost paradoxical, but that is the position.

5283. (Mr. Geoffrey Lawrence): Why do you say that? I think you should explain how you reach that conclusion.—Yes. Perhaps if I take an example it would be easier. Let us take an asset of £12,000 value or cost, and 12 years of life. Therefore £1,000 is written off each year. That £1,000 is written off in the first year, the second year, the third year, and so on, and as those amounts are put aside, they are not necessarily put aside in a separate investment, they are put into the business; they earn their keep and when we get down to the extreme case of the eleventh year, you have £11,000 there which is earning its keep in the form of interest. You are saving new capital money, or it is being used to some purpose and earning its keep. So that the net effect of the straight-line depreciation provision and a straight-line maintenance charge is, if one allows for that interest element, to put a greater charge in the earlier years than in the later years. I do not necessarily quarrel with that—at least, I quarrel with it theoretically, but as a matter of practical politics, it is probably a good thing to get as much in as you can when you can. It is just one of the cautionary things which most people like to do, because there may be other things arising in later years, but it is to be pointed out that it does have that effect, and, furthermore, that policy is not being pursued by the Commission in relation to their other two large road undertakings, namely Road Haulage, or the Road Passenger Services.

5284. (Mr. Poole): Not in respect of depreciation?—Depreciation, but not the other aspect of it, equalisation of the maintenance.

5285. I take it that they depreciate to the full extent that the Inland Revenue Authorities will allow them to, and then charge against revenue, do they not?—I do not think they have regard to the Inland Revenue depreciation

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tables at all, Sir. They are all on their own estimated lives deteriorated on the straight-line method throughout. That is as I have understood the accounts. Strictly speaking one only gets the equal charge over the period, if one combines the equalised maintenance charge with the sinking-fund method of depreciation.

5286. (*Mr. Geoffrey Lawrence*): And if you are right that it is not of universal application in the Commission's undertaking as a whole, but is happening, and happening to a very material degree on the London Transport Executive services, what is the result so far as London is concerned?—The result could be that London would be indirectly subsidising the finances of the Commission as a whole, and never enjoying in return the come-back of that money. I think Sir Reginald did say that it was possible that when they make the changes they might have some separate provision account for London, and if that did come about, and if the amounts that had been contributed in the past by London to this equalisation of maintenance are then put aside and becoming available later, on to be put back when the maintenance charges are obviously above the average, then justice would be done over the years.

5287. Yes.—If that step were not taken, then of course there is the real danger through these accounting arrangements that the money which London has contributed might never come back, because it just will not be there.

5288. That I think Sir Reginald has already agreed may be the case, but until those adjustments are made in the way you seek, to sustain your metaphor, London is still a suppliant for justice in this matter?—It would be, yes.

5289. (*Mr. Poole*): I am not quite clear why London suffers in the way you suggest, more than the railways?—It is to be noted, Sir, that it is London which, to a large extent, is making these credit contributions.

5290. To the abnormal maintenance fund?—Yes.

5291. I thought you were talking about depreciation?—No. The credits to the abnormal maintenance account.

5292. But that is maintenance, is it not? It is not depreciation?—That is maintenance.

5293. Were not you talking about depreciation?—No. I only mentioned depreciation to show that the combined effect of the maintenance with the depreciation is not necessarily good theory.

(*Mr. Poole*): I have not followed you then. I thought you were speaking of depreciation.

5294. (*Mr. Geoffrey Lawrence*): We might perhaps point out, in parenthesis, to make it a little clearer, that these considerations, of course, would not apply to such assets as permanent ways and structures, for which depreciation is not put aside?—No, not at all.

5295. (*Mr. Poole*): That is dealt with under the other account, is it not?—Yes.

(*Mr. Poole*): It is dealt with under—what do you call it, Mr. Willis, when they set aside something each year?

(*Mr. Harold Willis*): Stock redemption, Sir.

(*Mr. Poole*): Yes, the Stock Redemption Fund.

5296. (*Mr. Geoffrey Lawrence*) (*To the Witness*): We must try to get this clear, because otherwise we have wasted the time we have already spent on it?—Yes.

5297. Are you contrasting what is done in the case of the London Transport Executive with what is done, or not done, in the case of other substantial activities of the Commission in this matter?—I am pointing out that it does not apply to those other two substantial activities.

5298. And you pointed out that the effect of the equalisation system is to impose, as I understood what you said, a greater net burden in the earlier years for depreciation, interest and maintenance combined, than in the later years of the life of any given asset?—That is so, yes. That is the point where one needs to bring in depreciation, to consider them in total.

5299. (*Mr. Poole*): But surely that only applies if all your assets start at the same age, does it not?—It applies in the case of any one asset in isolation.

5300. It does in isolation, if you have a lot of assets, they have all got to start at the beginning—if that theory applies. If they all step over in different stages of age,

then does not that alter the whole aspect of the thing?—It does not necessarily upset that conclusion. It would mean that it makes it very, very complicated, but it would not reverse the effect.

5301. Let us take your own example. You said was, shall we call it, a vehicle which cost £12,000 with a life of 12 years.—Yes.

5302. And you set aside £1,000 a year. If you had 12 such vehicles each costing £12,000 each, and one was bought in 1947, the next one in 1948, the next one in 1949 and so on, would you not get to the stage where what you lost on the swings you made on the roundabouts?—But you would also come to the stage in which the actual charge for maintenance—

5303. I thought we were talking about depreciation?—Yes, but the actual charge for maintenance would be the same as the equalised charge, because all these buses each being a year older than the next one during the whole of that range, it means that there would not be any contribution to your provision from your funds in theory, and it would only then leave the depreciation charge in isolation. I think the point is illustrated if you just take the one asset and say: Now, that happens time and time again for all the assets.

5304. (*Mr. Geoffrey Lawrence*): And if there has in fact been a wholesale renewal of buses in the London Area, more or less contemporaneously one with the other, then you would suggest, for the consideration of the Tribunal, that your point applies?—Yes I would. I must add this, though, that I have not sought to make any adjustment for this fact, but I do point out that it is one of those things in which London might get a bad deal if the necessary steps are not taken to ensure that it does not.

5305. (*President*): That is really the point; not that it is getting a bad deal, but if the matter be re-adjusted, London may, in the future, get a bad deal?—Yes.

5306. It is not getting a bad deal now, but if no change is made, it may get a bad deal?—That is true, Sir.

5307. (*Mr. Geoffrey Lawrence*): One final matter upon this topic, on which I think I need not spend any time with you, other than to draw your attention to it, because at Questions 1428, 1429 and 1430, I did my best to put the point to Sir Reginald, and I think he agreed with me.—Yes.

5308. I really ought perhaps to draw attention to the earlier questions which were preliminary. At Question 1424 I said: "Therefore, at any rate on the 1951 picture, on the way the matter was operated, London was making a credit into the abnormal maintenance fund?—(A.) Yes. They were spending less than they would normally have spent on the average over the years. (Q.) Yes. (A.) And that money had to be put on one side to meet the extra spending which would result in other years. (Q.) Yes, and that was credited to the abnormal maintenance fund, that excess, and of course the excess was debited to revenue in London?—(A.) Yes, the charge was brought up to a fair annual revenue charge."

Then I said: "Theoretically, at any rate, I suppose there would come a time when the reverse position would be the fact. When we get near the end of the life of renewed rolling stock, your maintenance bills would go up and instead of your actual costs falling short of your notional allowance, they would exceed it?—(A.) Yes. (Q.) When that moment arrives so far as London is concerned, if things went on in their present fashion there would be nothing in the abnormal maintenance fund left for London Transport to be paid?—(A.) To draw upon?—(Q.) To draw upon?—(A.) Quite so." Then this is Question 1430: "So the net result of that would be this, would it not, that the London Transport Executive accounts will have been charged with more than their actual expenditure in the early years, and in the later years they will have to stand the racket of the full burden of actual maintenance, because there will be nothing to draw upon in the abnormal maintenance fund?—(A.) Yes, Mr. Lawrence, and that is a very good reason for terminating, so far as London Transport Executive are concerned, the present arrangements about the Fund, about drawing on the abnormal maintenance. That is one of the points which we have in mind". I need not read the rest of the answer. Is that the point you desire to make?—Yes.

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[Continued]

5309. Do you desire to add anything to it this morning, or not?—I do not think so, no. I want to make it quite clear that that is the point I desire to make in relation to this equalisation of maintenance, not to the whole thing, of course.

5310. No, it is an appendage still to the equalisation section of your evidence, I think we may pass from that difficult and confusing topic, and I will get you, if you will, to answer me some questions relating to the appropriate charge against London services for interest on capital and the common charges of the Commission. —Yes.

5311. Is this a topic which, in your view, in order that fairness should be done to London, demands the most careful and accurate computations that it is possible to make?—Yes.

5312. And is not to be dealt with broadly or too crudely?—Yes.

(President): That moral exhortation has no special force, has it in relation to London?

(Mr. Geoffrey Lawrence): I think not. If you asked me whether it was of universal application I would respectfully agree. I am only concerned here, of course, with London.

(President): I did not know whether it was addressed as an exhortation to the Tribunal, or whether it was an explanation of the care and accuracy with which Mr. Hill is going to give his evidence, or has given his evidence.

5313. (Mr. Geoffrey Lawrence): I should not presume to address a moral exhortation to the Tribunal; and therefore I suppose it was directed to the other object that you mention. It may have been, as you have indicated, and probably was entirely superfluous. Hitherto, and until this Scheme, when we have been told the figure is the stabilisation figure of £51m., we have had a figure which is the result of a multiplier, have we not?—Yes.

5314. Has there been a practice, if I am correct in what I am told, of taking interest with all other items and disregarding any credit items?—Yes. The calculations that were given earlier were on that basis. The question of the interest was raised at the 1951 Inquiry and dealt with at some length.

5315. We need not go over that dead ground again, but do you follow or agree with the lumping together of interest with such matters as specific payments which are not specific to London at all?—I can see no purpose in any lumping of these things together at the end. They can all be dealt with separately, and by dealing with them separately I am sure it is possible to arrive at a much more accurate result.

5316. I think Sir Reginald agreed with me that interest charged represent over 90 per cent. of what are called central charges?—Yes.

5317. Do you see any reason why the interest charge to London should not be ascertained with reasonable accuracy?—No, I do not see any reason at all. In fact, I would go so far as to say that "central charges" is a very bad label if it is meant to include things like interest. Interest is a definite expense and can be worked out, not absolutely to the final point, but it can be worked out to a point of accuracy that certainly serves adequately for the purposes of an estimate of what the total income needs to be. I see no reason at all why it should not be specifically worked out independent of how you divide up other things which have no relation to interest, such as central administration, acquisition costs, and the like, and it looms so large out of the total to clearly invite separate treatment.

5318. In order to cut this matter as short as we can on this occasion, may I remind you, and I think correctly, that on previous occasions there has been a debate as to which was the better of two methods of approach to this problem?—Yes.

5319. What was called "the specific" and what was called "the global approach"?—Yes.

5320. I think in the past you have contended for the specific method as likely to lead to more accurate results, whereas it was suggested to you that the global method was preferable?—Yes, it was.

5321. On this occasion, without debating or canvassing the merits of either, are you prepared, in order to narrow the scope of the discussion, to adopt the global method?—All my tables have been done on that basis. I think, quite frankly, that I get into difficulties on the specific method. It involves a lot of considerations and they are not easy to explain, but the results are broadly the same on the tests that I can make. I am following in effect the approach followed by Sir Reginald, not in globalising up the items of charge and putting them together and then dividing the total, but in apportioning the interest without having regard to the actual liabilities which the Transport Commission took over in 1948. I have my alternative calculations, and they produce very similar results so far as I can take them, that is up to about 1951.

5322. Are your next three tables, Nos. 111, 112A and 113A, tables devoted to this particular matter?—They are, yes.

5323. May we look first of all at Table 111, which is an important table for this purpose, is it not?—Yes. It summarises for the four years for which the Accounts are available the several items that need to be dealt with in one way or another.

5324. If we may just look at the framework of it first of all before we look at the detail, lines 1 to 11 contain the items which, as you say, need to be dealt with?—Yes. Indeed, I also deal, but deal separately, with items 12 to 14.

5325. Lines 12 to 14 is the provision for Stock Redemption, which is dealt with separately?—Yes.

5326. And then the later part of the table is the reconciliation with the published accounts?—Yes, it is only put in for that purpose, reconciliation with the published accounts, to show that I have got everything in under one head or another.

5327. Line 1 is a statement of the total amounts paid by the Commission by way of interest in those four years; is that right?—That is so, yes.

5328. I think there is a small adjustment excluded which is an internal transfer of some sort?—Monies put aside for Stock Redemption are credited annually with interest, and the amount is charged against the interest account and credited to the Stock Redemption Account; and so as to get the Stock Redemption matters all together, I have taken that element of interest out of line 2 and brought it in again in line 13, so as to get Stock Redemption in one item. It is very small.

5329. Line 4 shows interest receivable?—Yes. This interest is a direct credit to interest receivable, and must, in my submission, be brought into account in this way. The amount has been going down as the capital expenditure has proceeded.

5330. Would it be right to say that there may not be anything between you and Sir Reginald on principle here? In 1951 I think he said that he thought that by "X" year there would not be any interest receivable?—Yes, this question was raised at the 1951 Inquiry as to the correctness or otherwise of bringing in interest receivable against interest payable, and it was dealt with by Sir Reginald in this way, by saying: "Well, in 'X' year in any case it would not arise, because there would not be any. Then I think in his recall—I think I do him justice—he agreed that interest receivable, if there were any, should be brought in as a credit against interest payable. It clearly must be so, I would say, because the Board could either hold its cash and its investments and raise new capital, in which case it would have a larger sum of interest payable, but would be in receipt of interest credits; or alternatively it might realise its investments and its cash and use that for capital expenditure. The two are so closely related that one must necessarily be set off against the other.

5331. In any case, B.T.C. 401, Line 16, at which we were looking yesterday and to which I drew attention, does show a credit for that sum of £1m.?—Yes, it does. Of course, if the last issue of Stock had been for a lesser sum then the amount payable for interest in "Y" year would have been less and there would have been less interest receivable; so the net effect must be the same, as near as matter.

5332. After deduction of interest receivable, that gives you in line 5 the figure for total net interest?—Yes.

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[Continued]

5333. Which we shall find you have taken from this table and incorporated in a later table?—Yes.

5334. The next two items, lines 6 and 7, Administration and Common Services, come straight out of the published Accounts, for those years, do they not?—Yes.

5335. You must say something about the next group of items, lines 8, 9, 10 and 11.—Yes. These are items which come under that general head in the Accounts of special items, and they are special items which are not specific to any of the activities. They are general items. I cannot say they are both general and special, but they are common items. For instance, there is compensation to staff; it would be possible to break it down, I have no doubt, but of course we do not go that far. Amortisation of Stock discount and Winding-up of vested undertakings; although I think a bit of that probably does relate to the road passenger services, I have dealt with it as a common item there. In any event, it is very small indeed.

5336. At any rate, in your view they may be written off the revenue?—Yes.

5337. (President): At any event they do not appear in 1950 and 1951.—They have now gone, yes.

5338. Except for the purposes of an Inquiry into accumulated deficits the only column with which we are really immediately concerned is the 1951 column, is it not?—Yes, that is so.

5339. Except for the purposes of accumulated deficit calculations.—That is so, and then only 1951 as the last available guide to the future.

5340. And except that you have taken your figures mostly to the nearest £1,000, whereas in B.T.C. 401 they are taken to the nearest £100,000, the 1951 column does not differ in substance at all from B.T.C. 401?—That is so.

5341. In substance; you have split up special items and put the interest from the Stock Redemption Account as a separate figure?—That is quite so, Sir.

5342. I am not quite certain why you have taken the figures to the nearest £1,000 when it is difficult enough if we take them to the nearest £100,000, but at any rate you have done so.—My difficulty is that on a lot of these things I did work to the nearest point of a million, and one gets an accumulation of little items which one cannot approximate, and one cannot get the total right. It involves such a lot of difficulty in the drafting of the thing that I find it simpler to present the figures that can be in fact reconciled and added up correctly.

5343. (Mr. Geoffrey Lawrence): Before we pass from this Table, may I just ask you about the special items that appear in the lower half of it. There I gather you do not regard them as being in the same category with the items that are mentioned under lines 8 to 11?—No, these are all items which are, or are in the main, specific to certain activities. Although it is probably not well described here, that really applies also to column 22, which is mainly in respect of the road haulage undertaking.

5344. (Mr. Harold Willis): Line 22—Line 22. Line 21 is mainly in respect of the writing off of stores on road haulage. Line 22 is acquisition costs, again mainly road haulage; line 23 loss of profit on sale of investments—that is a matter that clearly does not come into reckoning on a question of profit or loss on operations, so I have excluded it entirely although there is a net profit there; and then the last item is an item which was specific to British Railways, the Restaurant Car service—the writing off of stores.

5345. If we may go from that to your next Table, 112A, that is a Table of the capital invested in the fixed assets of the British Transport Commission as a whole, and secondly for the London Transport Executive?—Yes. On this Table there is a material change from my original table, which arises out of questions put to Sir Reginald.

5346. Yes. First of all, the purpose of the Table is to provide, is it not, a reliable basis for an apportionment of interest charges?—Yes.

5347. Proceeding upon the global method of approach?—Yes.

5348. First of all, you take the British Transport Commission as a whole, Fixed Assets per Accounts for the four years, split up at the beginning and at the end of each year?—Yes.

5349. I will deal with the note in a moment. In 1951 there is a figure of £1,608 and nothing in respect of lines 2, 3, 4 and 5?—Yes.

5350. There is nothing of any contentious nature there, is there. It is the way the matter has been dealt with in that year?—That is right. In the earlier years the Commission was able in their Accounts, of course, to show the full consolidation of the activities in process of acquisition, and therefore they were shown separately in the Balance Sheet, they were not brought in. In other words, it was a statement of fixed assets for 1951; they were all brought in. But I do it in this way to enable reference to be made to the Accounts readily.

5351. And then, as I see in line 7, you take a mean for each year?—Yes.

5352. It would be convenient, I think, if I asked you to deal with Note 1, which applies to line 1?—Yes.

5353. Note 1 says: "per Statement of Fixed Assets V-7 (1948, 1949 and 1950) V-4 (1951) before deduction of Assets Displacement Account".—Yes.

5354. That is the variation from your original Table 112?—Yes, that is so.

5355. It is proper that you should explain why you have done it, and how it arises out of evidence given at this Inquiry.

(President): Before you go into that, Mr. Lawrence, this Table 112 in its original form was never put to Sir Reginald, was it?

(Mr. Geoffrey Lawrence): No, Sir.

(President): Ought it not to have been?

(Mr. Geoffrey Lawrence): When I say it was not put, I think, if my recollection is right, I did direct his attention to the figures of capital investment disclosed on it, and I asked him to look at it because I was dealing with this question of interest allocation; but I did not put every line of it in detail to him, although I am sure that I put this Table in front of him and asked him those questions.

(President): You never asked him whether he agreed or disagreed—he probably would have agreed—whether 10.59 per cent. would be a right allocation for central charges as against London Transport, did you?

(Mr. Harold Willis): I think that is right, Sir. In question 1485 Mr. Lawrence put certain calculations. The question was upon this Table. The question was put in this way: "The calculation I am going to ask you to do—follow me if you will without debating it". There was no debate; it was merely that certain adjustments were made, and Sir Reginald, as arithmetic, was asked to follow the adjustments.

(Mr. Geoffrey Lawrence): Yes.

(President): However, Mr. Hill is going to explain why he has not deducted in this Table, as he had done in the previous Table, the assets that were split.

(Mr. Geoffrey Lawrence): Before he does that, may I say that I am sensible of the criticisms that you have made. It may be that in the course of my cross-examination of Sir Reginald, which I tried to keep within reasonable bounds as to length, I did not put everything that I ought to have done. The field is a wide one, the scope for contention is enormous, and if I was deficient in any respect in that way, I can only apologise for it, and if it has caused inconvenience, I am very sorry.

(President): I do not think we can treat this Inquiry—and I did not mean to suggest that one should—as a running-down case. It was only that it had occurred to me that if you had put 10.59 per cent. to Sir Reginald, as that was the percentage in the table then available to the Tribunal and to the Commission, he probably would have agreed with it.

(Mr. Geoffrey Lawrence): I think, on what he has said in the past, that probably he would.

(President): He would have said that perhaps it was a little too much.

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[Continued]

(*Mr. Geoffrey Lawrence*): I think he would, because his figure is less than that, arithmetically, this time, although he has not started from that point. However, as I say, I am sorry. It is difficult to keep abreast of all these matters, and if I was deficient, I am sorry.

(*President*): I was not really meaning to criticise you. I was only hoping that if it had been put to Sir Reginald specifically, I might be referred to the passage. The other matter was as to why Mr. Hill, as a result of your cross-examination, has now chosen to take the figure before the deduction of the Assets Displacement Account.

5356. (*Mr. Geoffrey Lawrence*): Would you explain that to the learned President, Mr. Hill?—I think the tables are familiar to you, but in the Accounts for 1948 and 1949, the statement of fixed assets, the reference is V-7 in 1948, page 239.—

(*Mr. Geoffrey Lawrence*): May I interpose to say that the passage in my cross-examination upon which this rests is question 1228 and the following questions?

(*President*): Down to question 1242?

5357. (*Mr. Geoffrey Lawrence*): Yes, Sir. (*To the Witness*): I am sorry; would you go on, with that marginal reference?—It is page 239 in the 1948 accounts. That is a statement of the net book value of fixed assets, producing as the grand total a figure of £6m. odd. It will be seen by reference to my original table CC/H. 112 that that was the figure inserted in Line 1 for 1948, at the end of 1948. Certain additions were made to that, but they complicate the issue. In other words, that was the main element in what was the denominator of the fraction. If you look at Statement V-7 you will see that it is built up from details in V-8 as regards rolling stock, and V-10 as regards land, buildings and permanent way. Looking a little way down Statement V-10 one sees that there is deducted from the British Railways figure of book values at 31st December, 1948, some £157m, being the Assets Displacement Account. Just to complete that picture, similarly on the next page, page 255, £8m. is deducted in respect of Inland Waterways. The same treatment of hypothecating these monies against British Railways and, to a smaller extent against Inland Waterways, of pledging them to those activities, obtained in the 1949 Accounts. In the 1950 Accounts a different treatment was introduced, and in this case I am referring to V-7 on page 239 of the 1950 Accounts. The amount of the Assets Displacement Account, instead of being hypothecated to Railways and Inland Waterways, is shown in total as a deduction at the end, and in 1951 the same treatment as in 1950 was accorded to it. In designing my original tables and making my calculations for them, I observed this alteration of treatment, but I could not be at all certain that it was anything more than a matter of the format of the table. I could not be certain that the Commission no longer took the view that this money was, as it were, earmarked for British Railways and to a certain extent Inland Waterways, though I rather suspect that it was no longer so regarded, because certain charges were being made against it in 1951, and I think in 1950, for some of the expenses of scrapping the trams. I thought, however, that it would be unreliable to make that assumption until the matter had been put to the Commission's witnesses.

Clearly, in any division of interest on the basis of the capital invested or capital expenditure, it is the gross figure before that deduction which should rightly form the denominator of the fraction, unless that amount were, in fact, earmarked against any specific activity; but if it were, then the denominator of that fraction should be the gross figure after the deduction of that amount. That is just the mathematics of it. This matter is closely related with that of stock redemption. In the past I have taken the view that stock redemption was an unnecessary, duplicated charge in so far as some part of the assets were already the subject of full depreciation. You will recollect that I have drawn attention to the difference in policy, or difference in practice, between the Commission on the one hand, and the other nationalised bodies on the other. However, the reply to the points of view I had expressed was: "Well, this stock redemption is something to cover obsolescence and the ultimate scrapping of assets which are not subject to depreciation, namely, ways, structures and the like".

I had never regarded that as a sufficient answer myself, because there seemed to be abundant evidence from

the 1948 and 1949 Accounts that it was in respect of British Railways in the main that this question of obsolescence was mainly, shall I say, feared? The changes in my figures that arise from Sir Reginald having now agreed that the Assets Displacement Account is not any longer earmarked against British Railways and Inland Waterways, are two-fold; the first change is that in getting at my fraction, my denominator needs to be the gross figure, as I have already explained. There is no possible reason to take the net figure any longer. The other change, however, cuts in the opposite direction and it means that I can no longer claim the exclusion from the budget of stock redemption, because it follows, by the same token, that if this amount of Assets Displacement Account is now available for all the undertakings of the Commission, the Commission must be of the opinion that the question of the obsolescence of these fixed assets does arise on all their assets, and not only on the Railways and Inland Waterways. It being true that only certain of the assets are subject to depreciation, and it being true that the stock redemption provision, although not so intended, does have the effect of giving the Commission something in hand to meet this obsolescence danger, I must, of course, concede the point on stock redemption.

Therefore the net effect of my revised tables as compared with the original ones, is to alter the fraction for the purposes of the calculation of London's capital expenditure in relation to the capital expenditure of the total; but I have also had to bring in—and this has the opposite effect, though not quite to the full extent—the stock redemption item as a charge. I think this will serve to show why the particular question was put to Sir Reginald about the Assets Displacement Account, and the importance which we attach to it.

(*President*): I think the questions put to Sir Reginald Wilson, Questions 1230 to 1242, were confined to taking him through the differences between the accounts. They added nothing to what was already to be observed by anyone studying the accounts as carefully as Mr. Hill does. Which is the particular question, which you say threw new light on the problem?

(*Mr. Geoffrey Lawrence*): The specific question to which Mr. Hill was referring, I think, was No. 1239, where he said: "I think we found that change for the first time in 1950. The reference in the 1950 accounts is at page 257; does that mean that from 1950 the Commission has been regarding that Assets Displacement Account as being available to the Commission's undertaking as a whole, and not specifically to British Railways and Inland Waterways?—(A.) That is so".

(*President*): That appears in the accounts though, Mr. Lawrence.

5358. (*Mr. Geoffrey Lawrence*): You have heard what Mr. Hill has said. He noticed the difference but he was not, unless he had the evidence from a witness, prepared to rely upon it to the extent of basing his table upon it. I understood that that is what he said?—Yes. It may be just a change in the design of the table; just a different way of showing it. The altered way of showing it was not sufficient for me to be certain that it indicated that the amount itself was free and available.

(*Mr. Harold Willis*): It was a question which could have been put at the last Inquiry, of course, because the 1950 accounts were then available.

(*President*): We will not bother about the last Inquiry. However, we need not pursue it; I have heard the explanation.

5359. (*Mr. Geoffrey Lawrence*): That was the explanation of it, and that was the purpose of my question, to put it beyond any possible accounting doubt. May I say, for reference purposes, that linked with this part of Mr. Hill's evidence are the questions which I put to Sir Reginald on the Seventh Day, questions numbers 1555 and 1556, which deal with the matter of provision for obsolescence, which Mr. Hill says, I gather, is material to this part of his evidence.—Yes. That forced me really to proceed with the stock redemption.

(*President*): We can now finish, for the purpose of Mr. Hill's examination, with the question as to whether the amended Tables go beyond the leave which was sought.

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[Continued]

5360. (*Mr. Geoffrey Lawrence*): Also upon table C.C./H. 112A, I must come now to the London Transport Executive part of the table.—Yes.

5361. There you have taken the fixed assets per accounts again subject to the note?—Yes.

5362. And you have added a figure for generation and distribution of electric current?—Yes.

5363. Which is an approximation in each year?—Yes. It is part of a total figure of £13m. or £14m., which is known not to relate exclusively to London Transport Executive. This activity of the generation and distribution of current is treated in the Accounts as a separate activity, but it is substantially the London Transport Executive, and also partly British Railways London Lines, and partly elsewhere. However, I believe this figure to be accurate to the extent of £1m. anyhow.

5364. (*President*): But it is an estimate, is it not?—It is an estimate, Sir.

(*President*): It is not a figure which can be based upon any accurate or careful accounting.

5365. (*Mr. Geoffrey Lawrence*): No, Sir. (*To the Witness*): Was it a figure, at any rate in the earlier years, which you used on the previous occasion?—I used it before, yes, and it was not criticised.

5366. Then the next item in Line 10 is “Lands and buildings not in use for transport purposes”—what we have called, telescopically, “surplus lands”?—Yes.

5367. That is subject to Note (2): “the amount allowed in Line 10 as capital value of surplus lands is in relation to the sum of £250,000 per annum net rents credited in Tables....” and then you mention the later tables; but it is a variation from the figure which was in your original table, is it not?—Not in that £3m. I think; it does not have enough to affect it.

5368. The £250,000 is?—Yes that is, when we come to a later table.

5369. That was in relation to an answer given by Sir Reginald, was it not?—Yes. Now Sir, so as to get appropriate charges against London I have to bring in a figure here for a share of a total of about £30m. odd, which appears as the value of surplus lands. I have no means of saying whether this £3m. is right or not, but my method of approach is to look at it this way; the rental income of these London surplus lands is about 10 per cent. of the total. That is known, and I have brought in here—otherwise my fraction would get distorted—about 10 per cent. of the £30m. odd, of which the total for the whole Commission's activities stand in their account. Then we have only to find a way of dealing with the item.

There are I think, in theory, three ways in which this question of surplus lands could be dealt with. One would be to disregard the income from them, as I think Sir Reginald does, and say that it is a separate activity; we will not have it in the London budget or any other budget. Another is to exclude from the top part of the table the £33m.—£30m. to £33m., I just forget the figure. The other way is to bring in the appropriate one from the bottom parts. Between the last two there is really no difference, but the reason why I reject the first method is that you can only exclude these surplus properties entirely if you first of all take out the total interest, charge “X” sum, and put that against this activity.

That involves in itself a field of contention. Sir Reginald did say last time that against this activity he put £900,000 of his interest of central charges. That figure does not look to be enough; it is less than 3 per cent. on the amount at which the assets stand in the books, and it is considerably less, must be less, than 3 per cent. on the real value of the assets. Therefore it involves contention as to whether these off-charges to these other activities are right or wrong.

I think the best way to deal with it is the way I have dealt with it in this table—bring in what is a notional figure in the bottom part of the table or knock off a notional figure from the top. It does not matter much which one does. When it all comes to the boiling there is only £1m. or £2m. in it each year. It is very little, but it is one of those awkward things that has to be dealt with somehow.

5370. (*President*): You have to estimate it whichever way you do it—I think so.

5371. (*Mr. Geoffrey Lawrence*): That gives you in line 13 the percentage figures of London Transport's invested capital and fixed assets as a percentage of the Transport Commission as a whole. They range on this table, by reason of the alterations and in the calculations you have mentioned, from 9.18 per cent. upwards—Up to about £94m.—just over £94m. for 1951, yes. They do not give support to the £104m., £104m., the basis for which I do not know. They provide, I think, a reliable basis for the division of interest. I would point out here, if I may, that there can be no other basis for the division of the interest for charges such as working expenses or staff. They can have no relation at all to the proportion of the interest. Indeed, one gets activities in which there are no working expenses of any relevance. One certainly gets activities in which there are no staff of any moment involved, so I do not think tests of that kind can be regarded as relevant at all so far as the interest part is concerned. It might be regarded as relevant perhaps to central administration, or something like that.

5372. (*President*): You are saying that the only way of arriving at an apportionment of interest charges is by reference to fixed asset values?—Yes.

5373. Book values?—Yes.

5374. (*President*): Not real values?—I would say if you could have real values that would be another way, but of course we have no real values.

5375. If you had them it would not be another way, it would be a better way.—It would be a better way, yes.

5376. (*Mr. Geoffrey Lawrence*): Before we depart from this table could you make it clear, in dealing with London capital figures and capital expenditure, that you have not made a reduction in respect of the accounts that may or may not be chargeable (according to the view that may be taken in this matter) against the abnormal maintenance allowance?—If, for instance, a new bus has been bought instead of an old bus being maintained, the cost of the new bus is in one of the figures in line 8; all the capital expenditure is in.

5377. Can I go from that to C.C./H. 113-A, allocation of interest of central and common charges and of stock redemption. Does that table take the calculations a stage further by applying the percentages derived from the immediate preceding table to the amounts of interest which you set out in line 5, I think it was, of table C.C./H. 111?—That is so, yes. That line 3 is just a calculation from the two previous tables.

5378. Line 3 on that basis is purely a mathematical calculation?—Yes.

5379. Then in the lower part of this table C.C./H. 113-A, you make an allocation of the central administration charges of the Commission, of common services and of certain special items.—Yes, those being the special items that were listed in the top of C.C./H. 111 in lines 8 to 11, but it excludes, of course, the special items in lines 21 to 24.

5380. And you get there in line 8 a proportionate part attributable to the London Transport Executive?—Yes.

5381. Is that using the same ratio?—Yes. It is using the same ratio, as the note indicates. I use the same ratio for want of a better; but whatever ratio one takes, within reason, it can really make no difference to small items. I readily agree that one could have other bases. It really makes no difference, it could be £0.1m. difference at any point you see.

5382. Then you bring in stock redemption at the end of this table, in line 9, and that is for the reasons which you have already given?—That is so.

5383. Then we go to the next table—C.C./H. 114—

(*President*): Just before you go to that, it makes the total on this revised table £4.562m.?—In the last year?

5384. Yes, I confess that it is the last year to which my attention was directed momentarily.—Yes, £4.562m.

5385. And on the original tables, perhaps you have not worked it out, without taking into account the stock redemption figure, it was £4.769m.?—£4.769m., yes.

5386. Without the addition for stock redemption?—Without the addition for stock redemption.

5387. Again for 1951?—Again for 1951.

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5388. About £5.1m. included in stock redemption?—£5.0m.

5389. (Mr. Geoffrey Lawrence): C.C./H. 114-A is a statement of net profit or deficit from 1948 to 1952. First of all looking at the table generally, on the summary in the lower part of the table you show a total estimated net deficit over the five years for London Transport Executive of £2,814,000?—Yes.

5390. But that is before any further adjustment for maintenance?—Yes.

5391. Now again, that deficit, if we are dealing with London as a whole, including Railway Executive London Lines, we should carry the figure (whatever it is) in relation to London Lines for the same period; is that right?—I am sorry, Mr. Lawrence; do you mind repeating that? I have lost the thread of it.

5392. In relation to that deficit on London Transport Executive, as we are dealing with the London area as a whole, we must carry in the figure, debit or credit, arising from London Lines?—Yes.

5393. And there you show in line (d) that it is a surplus, and you then, in lines (b) and (e) make adjustments (which we shall have to explain in detail) by way of further credits. The end of it all is that in the London area before you make those adjustments there is a net surplus according to your figures of £2,486,000 over the five years.—Yes.

5394. But after the adjustments there is a total net surplus over the five years of £9,386m.—Yes, that is right.

5395. Now we must examine those matters a little more in detail. Take the London Transport Executive first of all; line 1 is their net traffic receipts for the five years?—Yes.

5396. I ought to ask you this: the figures under 1952, both for net traffic receipts and for line 2, rents and advertising, are different, I think, from those on your original table C.C./H. 114?—Yes; in my original table I had to make my own calculations of what the working results on London would be for 1952. There was no indication of that, of course, in the British Transport Executive Exhibits at that time. I knew the receipts with some accuracy but I had to make my estimate for expenses and I arrived at £1.2m., but Sir Reginald has since given a figure of £900,000 and I therefore substitute his figure for my £1.2m., and similarly, on the next line—the rents and advertising—I looked at the results for the two previous years and said they are a little erratic but a figure of £1.4m. looks about right. Sir Reginald has since said that it is £1.3m. approximately, so I have substituted his figure.

5397. That will give you in line 3 a total of net receipts for each of the years?—Yes.

5398. In 1951 the thing was on the wrong side of the line?—Yes.

5399. Then in line 4 you bring in do you, as an item of charge, a contribution to the Freight Rebates Fund?—Yes. I put in the round figure for the three years at which it existed. The London Transport Executive figure was, I think, £72,000 or £73,000. I had no means of putting in a figure for the transferred joint lines, so I put it there at under £100,000. It could not be over.

5400. It is designed, I think, to represent the contribution that is appropriate so far as it relates to the London Transport Executive services.—Yes, it was an actual figure of course. The total for the Commission was of the order of £324m. but that of course relates to their freight carrying activities. It had no relation to this London business really. It was an illustration, I think, of where not to divide a figure on a global basis.

5401. Then line 5 is merely bringing in the figures of interest which are shown and have been shown already on table C.C./H. 113-A.—Yes.

5402. (President): Just let us pause there for a moment. Taking the 1951 figure as an ascertained figure, £4.41m., that is line 3 of table C.C./H. 113-A.—That is so, Sir. I see I did not pick up the alteration in the reference there. It should be C.C./H. 113-A, not C.C./H. 113.

5403. (Mr. Geoffrey Lawrence): Then the next line, rents of surplus lands and buildings; there is an alteration here from your original figure which was £200,000 to £250,000.—Yes.

5404. That is a small matter; it is the result of some questions that I think I put to Sir Reginald.—Yes, he expressed the figure as being of the order of £250,000.

5405. Then in line 7 you bring in the proportion of central administration, common charges and special items: again the figure which you elucidated on your previous table, C.C./H. 113-A, and line 8 of the figure for stock redemption, again brought in on this table but not on the original for the reasons you have mentioned.—Yes.

5406. That gives you a total of charges against the net receipts, and then your figures of net profit or net deficit are the result of taking the difference between line 3 and line 9. Is that so?—That is so.

5407. The summary of those figures over the five years gives the result that is shown in line (a) of the summary.—That is right, the net difference between the three deficits on the one hand and the two profits on the other is £2.814m.

5408. The figure for London Lines which is next underneath it opposite line (d), of £5.3m. is a matter which is set out in detail upon subsequent tables?—That is right.

5409. So we defer consideration of that for a moment. I want now to get you to deal, if you will, with (b), which is an additional matter on the A table from what you had put on the original table.—Yes.

5410. And you carry in a credit over the five years there of £2.5m., which is an average of £2.5m. every year; and you say it is on account of the use of the abnormal maintenance funds and for maintenance allowance.—Yes.

5411. Without traversing the ground which we discussed this morning, could you say how you have arrived at the quantification of the allowance that you say ought to be made.

(Mr. Harold Willis): Is it "and" or "or", because on C.C./H. 118-A it is described as "or maintenance allowance"; in this it is described as "and maintenance allowance"?

5412. (Mr. Geoffrey Lawrence): What is the answer to that?—It is really "or", but I am afraid the narrative is very clumsy, very ugly, and not at all helpful. I hope, if may, to clear it up a little.

5413. (Mr. Harold Willis): We can write "or" in can we?—You can do that. I would just like to call attention, Mr. Lawrence, if I may, to the fact that in my original table C.C./H. 118 which dealt with the "Y" year position I had appended notes to say that no allowance had been made in these tables for certain other items which were still under investigation, the maintenance business, the terminal costs on London Lines and the question of sub-standard charges. Now I should really have put that same note on my original C.C./H. 114. I clearly should have done because what relates to "Y" year related also to the previous years.

5413a. The same note or a very similar note should have been upon C.C./H. 114 as well as upon C.C./H. 118?—It should have been. In fact, I think I made that clear in the proof I gave you.

5414. (President): A lot of things are made clearer in proofs than appear in evidence.—Might I say I should have done it and did not do it? When it came to completing my tables at the earlier stage, of course, I had to face up to putting a figure on these items both for "Y" year and for the past years. Now for that reason I show a total separately in this C.C./H. 114-A before giving effect to the two items which hitherto have remained unquantified, in other words the total of nearly £2.5m. before giving effect to these items, and then a total of £9,386m. after giving effect to them. I think your question was, if we have not lost it in talking too much, about the £2,500,000.

5415. Yes, that is right, Mr. Hill.—It will be obvious from what has already been said about this maintenance matter that it is very difficult indeed to put any precise figure on what adjustments should be made or what has been charged. It is extremely difficult because one really has not the necessary material. But I have approached it from one or two points of view and then having taken stock of the sort of answers I got, I have put in a figure

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of £1m. a year. That £1m. a year is, for the five years, £2,500,000. My figure is £1m. a year. I believe that to be a very cautious estimate of what might be involved. My approach to it has been to disregard the £40m. odd entirely and to look to the £21m., and, then, as you will see later, to look only to the £25m. I have excluded the buses and the trams because it may be that the whole of the adjustment in their case is taken care of by the fact that one lot of trams has been scrapped and the buses have been renewed to a very substantial extent. So I am perhaps not justified in disregarding the bus and coach situation entirely.

Then I have proceeded in this way. I have said that is what the proportion of the total maintenance costs to the buses and trams represent, and I find that both in 1948 and 1951 there were about 40 per cent. trams and buses together; together they involved about 40 per cent. Therefore it might not be unreasonable to assume that 60 per cent. of this money relates to assets other than buses and trams. There again I have said 50 per cent., to be careful.

It is then a question as to whether the amount of money is £31m.—I agree it certainly is not £42m.—or only the £25m. which is the arrears of maintenance without the addition for renewals. Strictly speaking it would be the £31m. I think because there is included in these costs the renewal of assets for which depreciation has not been made.

There again I have made another jump and said: Well, might it just be possible, might it just be possible that there have not been any renewals of ways and structures, and doors and lifts, and that sort of thing since the war? I do not know, so I will stretch it again and say perhaps that is just a possibility, though it seems rather incredible. I was then left with this proposition after discarding those other things: It is the £25m. and not the £31m. on which I should make my calculation if I can assume that there just have not been any renewals of fixtures large or small, and that is an extreme assumption I am sure. That would give 50 per cent. of the £25m. as being available for these assets other than buses and trams, and not relating to renewable items in connection with ways and structures. Fifty per cent. of £25m. is £12½m.

I have then had to say: Over what sort of period would one expect this money to filter back? Being the same standard, the standards have a common origin, over what period would one expect this money to filter back? I should have thought myself that it would have filtered back substantially in any case during the first six years after the end of the Control Agreement. That may be, but I have taken—that would involve an amount filtering back of £1½m. a year—one-tenth of £12½m. Now the actual amount that has been brought back from the abnormal maintenance account, other than in respect of buses and trams, over this period, over four years, is only £800,000. One gets surprising elements in that too, for instance in the rolling stock on the Underground hardly anything has been brought back, and yet we know that very few of them have been replaced as new assets. £800,000, an average of £200,000 a year in four years: Putting that comparison with the £1½m. there would appear to be a shortage of £1m. even on that very conservative basis.

That is one test I made, there were other variations, but in the next one I strained it even more extremely and said: Let us be assumed that buses and trams and renewable ways and structures account for 75 per cent. of the whole of this money, only leaving 25 per cent. for everything else, now if I made that calculation I should get a spread, over the period of ten years, of £650,000 a year. When I look to the figures and find what has been brought back and exclude buses and trams and renewable ways and structures, I find the amount is just under £200,000 a year. That gives me a difference of roughly £1m.

That last approach seems to me to be extreme in the sense that it is assumed that only a small part of the arrears of maintenance have arisen on other than buses and trams. It assumes that it would take ten years for wartime arrears of maintenance to be made good, and it assumes in any case that it is only £25m. which need be brought into this reckoning. I therefore feel that the range of possible figures probably lies between £1m. and

something well over £1m. I have taken £1m. for each net year. I am afraid it is not a figure on which there is only one line of approach or which can be set out in mathematical form on a table; but in taking the figure at £1m. I have I believe every reason to think that it is a very modest allowance indeed for what is probably involved in this very difficult item.

5416. The result of taking the conservative choice at each stage?—Yes, I think so. I am prepared to admit that there may be factors of which I know nothing, and therefore I need to proceed conservatively.

5417. And there is your credit of £2½m. over the five years?—Yes.

5418. The other matter that requires explanation is the credit of £4.4m. in respect of running costs, terminal documentation and so on, expenses?—Yes, if I may say so, Mr. Lawrence, I shall have a little difficulty in dealing with that before I have dealt with the £5.3m., London Lines costs, because it arises on the analysis of London Lines costs.

(President): We ought to go to C.C./H. 116-A ought we not, first?

(Mr. Lawrence): You are quite right. Then let us defer that for a moment and turn to the next table, C.C./H. 116-A, or rather I suppose we ought to take C.C./H. 115, which is still in its original form. These are the two tables that deal with London Lines and produce the result which you have incorporated in C.C./H. 114-A. Can we look at C.C./H. 115 first of all?

(President): Hardly, Mr. Lawrence; they are not incorporated in C.C./H. 114-A, which is London Transport, but in C.C./H. 116-A, which is London Lines. C.C./H. 115 London Lines, is it not?

5419. (Mr. Lawrence): That is right. The financial results, on table C.C./H. 115, of London Lines for the years mentioned following, you say, British Transport Commission contentions as to methods of computation?—Yes, by those words I am trying to imply that I follow their method, but not attributing to them any agreement with their figures, with the results that follow from it.

5420. (President): Observing the rules of arithmetic but arriving at a different result?—Yes, we know the method of approach, but in applying their formula to the experience of each of these five years, it is quite likely that they may come to slightly different results. Therefore I cannot necessarily say that they must necessarily agree with all these figures because it is their method of approach. I do not think the result can be more than a small difference there. However, no doubt we shall see about that. We have no statement from the Commission as to the working results of London Lines relating to any year. We had an estimate at the 1950 hearing for what was then termed the "X" year, which, of course, was a notional year. At the 1951 hearing we had an estimate for "X" and "X-A" years, which were notional years. We did not have a similar table this time, but Sir Reginald has given certain evidence on the point.

5421. Yes, just for reference the document in 1951 was B.T.C. 108, was it not?—Yes, B.T.C. 108. We have never had a computation for any particular year. Now the first thing I found it necessary to do was therefore to try and provide a computation for the five years that have already expired. In doing this one is very considerably helped, in fact one could not do it without I should say, by the estimates that the Commission have put forward at the previous hearings for these series of notional years. There is no difficulty when tackling the five actual years in putting in a figure for income, because that is recorded in one or other of the British Transport Commission's exhibits on this or earlier occasions. In other words the figures in line 3 at the bottom part of the table can all be found as actual figures in the British Transport exhibits.

5422. I think you mean the figures in column 3?—Column 3, yes. The only column that really requires any calculation of any moment is column 4, and it is here that one is so helped by the estimates for the notional years that have been given in the past. One is helped in this way, that the formula for getting at the working costs is, as has been said, a first element of the costs of train movement or vehicle movement, in addition to that terminal documentation and commercial expenses, and then in addition to that, for joint expenses.

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The important feature to which I would draw attention in relation to this matter is that those two additions are related to the experience of British Railways as a whole, and not just London. Therefore it is possible to get away from a notional year to an actual year, so far as those expenses are concerned, by comparing notional year expenses for British Railways as a whole with actual year expenses. That works out just as one would expect, because if there has been a rise in wage levels of 7 per cent., we will say, on British Railways, one would not expect it to affect London Lines; it would be as near as no matter the same proportion.

There is one last thing of which to make certain before you can proceed on the lines I have done. That is that there is something like a common ratio between the volume of expenses other than on vehicle movement to the volume of expenses on vehicle movement over the years. If one looks at the British Transport Accounts, the rail accounts, and takes the first two accounts as representing vehicle movement—I think I ought perhaps to make that a little more clear—the British Railways accounts for 1951, for instance, page 78, and if one looks at such a statement for each of the four years, one finds that there is as near as no matter a common ratio between the total of the two items—trains: vehicle operating costs and maintenance; and depreciation of rolling stock—together against the total of all the working expenses.

Because of those facts it is possible therefore to take the British Transport Commission's estimates for these notional years and derive therefrom figures which must be reliable to a fairly fine point for the actual years. That is what I have done. The actual calculations are somewhat involved; they are not put in as an exhibit. If it would help the Commission to have a copy of the calculations, they could easily have them.

5423. They are all available?—Yes.

5424. But the results are in the exhibits?—Yes.

Adjourned for a short time.

5425. (Mr. Geoffrey Lawrence): We were dealing with table CC/H. 115?—Yes.

5426. And you were explaining the method that you had adopted in compiling certain parts of it. Am I right in thinking that the first three lines are the British Transport Commission's own computations put forward at the 1951 Inquiry?—Yes. The first line figures were embodied in an exhibit which I think was B.T.C. 108. The next line is the same thing really as the half a million which was added for wages increases. It just affects Column 4, and therefore alters the figures in subsequent columns. There was no actual exhibit put in for the "X-A" year, although there was an exhibit for "X" year, but we knew the measure of the difference. Therefore that brought the £17.7m. up to £18.2m. and then (c) is taken into account, which are the same working expense figures, of course, but allowing for the estimated increased fares, as made in the Scheme—not as proposed.

5427. Then Lines 4 and 5 are your calculations, are they not, on the same basis of working, for "Y" year?—Yes.

5428. We have not the advantage, on this occasion, of any computation for London Lines being put forward by the Commission?—No, that is so.

5429. Is it right to stress that in putting those figures for "Y" year in Lines 4 and 5 you have followed the method of computation adopted by the Commission in the past?—Yes.

5430. So that at this stage there is no adjustment made by you for any allowances you are of opinion ought to be made?—That is quite so.

5431. Just pausing there so as to relate it to the evidence which has been given, in Column 4 under "Y" year you have working expenses of £18.9m.?—Yes.

5432. The relevant evidence at this Inquiry is not in the form of an exhibit, but it is contained in Sir Reginald Wilson's own evidence, is it not?—Yes.

5433. When he deduced a total figure, I think, of £20m., or thereabouts, for working expenses for "Y" year on London Lines; is that not so?—Yes. I am just wondering if that is directly comparable with the £18.9m.

5434. If it is not, we will disregard it, but I was only wanting to keep the matter in perspective, in the absence of an exhibit from the Commission. However, let us postpone that, if you are not sure about it—I think Sir Reginald gave two figures, one by using the formula which had been used in the past, and another by using some amendments to that formula.

(President): He gave three figures.

5435. (Mr. Harold Willis): He gave three bases.—Yes, but those were in terms of vehicle costs only, were they not—the three bases? I am sorry; I cannot ask you questions.

5436. They affect the whole, of course.—Yes.

5437. The adjustment was only at one stage.—Yes. A figure of £20m. was given for one of them.

5438. (Mr. Geoffrey Lawrence): Was not this the position, that he started with a figure of £11.2m. on the old basis for vehicle movement costs?—Yes, I agree.

5439. And the second alternative, on a slightly different application of an adjusted formula, gave £11.6m.?—Yes.

5440. Then if one took into account certain revised figures in relation to the Southern Region, we got a figure of £12m.?—Yes, that is so. I can now answer the question. Sir Reginald's first figure of £11.3m.—

5441. £11.2m.—Of £11.2m., if that figure is used, and his 3½ per cent. and 25 per cent. applied to it, one would come to a figure of £18.8m. which is comparable with my figure of £18.9m. It is as near as no matter the same.

(President): I thought the £11.2m. was accepted. I think in fact Mr. Lawrence said the £11.2m. was accepted, by which I understood him to mean that he would agree that figure.

5442. (Mr. Geoffrey Lawrence): Yes, that is quite right.—Yes, that is it.

5443. As a figure for vehicle movement costs in "Y" year?—As a figure for vehicle movement costs, yes.

5444. The 3½ per cent. is the figure which you have adopted?—I have used the old 32 per cent., as it happens.

5445. The old 32 per cent. for the addition for terminal documentation and so on; is that right?—Yes.

5446. Then a further 25 per cent. is the additional matter for joint costs?—There again I have used the old 26½ per cent.

5447. In other words is this right, that if one takes the figure, which we accept, of £11.2m. and proceed to gross it up by the old multipliers, we get a figure of £18.8m. which is comparable with your £18.9m.?—That is so, yes.

5448. Of course, if we diverge, as Sir Reginald has this time, on to the use of other formulae and so on, we get different results?—You get different results; they follow through, yes.

5449. Just passing for a moment to the lower part of the table, I think you have already said that the figures for passenger receipts in Column 3 are, in each case, taken from an exhibit put forward by the Commission at one or other of these Inquiries?—Yes.

5450. The figures in Column 4 we have already spoken about, and I do not think we need explain them any further?—No.

5451. Column 5 is the difference between the two?—Yes.

5452. Column 6 we have not spoken about yet. Throughout the whole of this table it is a figure of £1.9m. for interest and Central Administration, less advertising and rents?—Yes.

5453. That is a figure which is the Commission's own figure, is it not?—Yes.

5454. Of the amount chargeable to London Lines in this respect; being £2m. less £0.1m. for advertising and rents?—Yes, that is right.

5455. It is a figure which, without saying anything more about it, has the same status in relation to London Lines as the £5.5m. has to the London Transport Executive?—Yes, that is right, except.

(Mr. Poole): Mr. Lawrence, in Column 4, taking the lower figures which are computed, £18.8m. and £18.2m.—you see the ones I mean?

(Mr. Geoffrey Lawrence): Yes, Sir.

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5456. (Mr. Poole): Are the £15.8m. and the £15.7m. computed on the same basis as the £18.9m. above?—Yes, but my way of going about it is to have regard to the changes in expenditure on British Railways as a whole, having been satisfied that the thing is constant, as I was saying this morning, over these years, and then applying those changes to one or the other of these key estimates that have been given for notional years. So it is the application of the formula to the actual years.

5457. But you have still used the same multipliers, have you—the 32 per cent, and the 26½ per cent?—Consistently throughout.

5458. It is only a question of the bigger figure with which you start?—Yes, that is right.

5459. And that you have computed by reference to the returns of the railways as a whole?—Of the railways as a whole, having found a constant relationship; but I have had to make one alteration of importance when it comes to the "Y" year estimate, which is above the line there, where there is a material alteration in the number of car miles on London Lines.

5460. (President): Going back to your figure in line 4, "Y" year, your receipts in this table are put at £20.6m.?—Yes.

5461. I gather, according to the table you put in yesterday that they ought to be £20.7m. ought they not?—Yes, I think they should be.

5462. Do not alter it now, because there will be another alteration later.—Yes, quite.

5463. But at the present stage of going to Press, it ought to be £20.7m.?—May I just check that? Yes, that is quite so, Sir.

5464. (Mr. Geoffrey Lawrence): Then in Column 7 you reach the net surpluses or deficits by a simple mathematical process?—Yes.

5465. So that it comes to this, does it, that these figures of net surpluses or deficits are the net financial results on London Lines for the five years, computed, as you have said, on the basis hitherto put forward by the Commission?—Yes.

5466. Without any further sum for any allowance of the nature that you have already spoken about?—Yes.

5467. It shows the results aggregated or expressed as the position over four or five years that is set out at the bottom of the page of that table. Now may we go to Table CC/H. 116A. These are the financial results on London Lines for the same years, and you have headed the table "As computed by adviser to Middlesex and Associated County Councils". This is a table which carries the matter a stage further by making the adjustments which you think, or which you submit, should be allowed?—That is so.

5468. Let me see how it is done. First of all there is a division of the table into two parts, A and B, first of all by using the British Transport Commission formula for running costs, and secondly by amending that formula?—Yes. That is to pin-point, as it were, this particular dispute about terminal, etc., costs which was ventilated to some extent at the last Inquiry.

5469. In Line 1 you have brought in the net working surplus from the immediately preceding table, Column 3, in each year?—Yes.

5470. And then you have made two additions?—Yes.

5471. The first of which is an addition in respect of parcels, of £0.3m. in every year?—Yes.

5472. That is an old subject of discussion?—Yes. I almost blush to mention parcels again.

(Mr. Geoffrey Lawrence): Being, Sir, as I have said before, a newcomer to these matters, I do not want to take up time unnecessarily going over the arguments in favour and against it, which must be already very familiar to you. If it would be adequate for me to leave it with that addition in the table, for you to accept or reject on the basis of the argument which has already been submitted on other occasions, then I should be content.

(President): You mean, that you are content to accept whatever view we formed as to this credit on the last occasion?

(Mr. Geoffrey Lawrence): That is a question which I should find difficult to answer in that form, because on

the last occasion I gather it was not carried on my side to the length really of asking you to decide the matter at all in favour of the Middlesex County Council.

(President): It appeared in calculations. Would it be easier if I asked you: Are you content to leave the matter to be decided in the way it was decided on both the previous occasions? If you are not content with that, then you must address some argument upon it.

(Mr. Geoffrey Lawrence): There are two hypotheses that, because this has had such an extraordinary history. At one stage of it it looked as if we were succeeding to a certain extent, and thereafter it looked as if we had failed. I think we can take it very shortly indeed.

(President): We are tolerably familiar with the point.

5473. (Mr. Geoffrey Lawrence): I know, and if Mr. Hill is blushing at mentioning it, I am associated with him in that embarrassment, but however, there it is. (To the Witness): So that we do not take it at too great length, would you just very shortly put it in your own way, as you have put this in your table?—Yes. It was used at the 1950 Inquiry at which time, after giving certain tests to the Tribunal, I put the figure at half a million pounds as being that part of the expenses which could correctly be set off against parcel receipts, and that was mentioned in the Preliminary Decision of the Tribunal. At the last Inquiry it did have a peculiar history, because it was, in our Exhibits at £0.5m. I think, originally. Sir Malcolm Trustram Eve said to the Tribunal: "There is nothing in our figures for this at all, and the item should come out." Mr. Capewell then said: "If that is so, all right, it goes." Then I looked into the matter and made certain enquiries, and found that in my opinion the matter was not excluded from their figures, but it was in. Sir Malcolm said: "Look here, we have told you about four times it should not be in." Anyhow, when I came to give evidence, I said that all the evidence I could get on the matter was that the item was in and a credit for parcels receipts should be given, but I had put the figure at £0.3m. instead of £0.5m. because there was one class which I had hitherto understood to be in which was no longer in, namely, trains running over London Lines, if there be any, consisting entirely of parcels vans. It was on the strength of that, that the figure was reduced to £0.3m. However, all other parcel carrying on London Lines appeared to me to be still included, and on that I was not cross-examined any further. Therefore the matter was somewhat inconclusive and the figure remained in my table, so far as I was concerned, at £0.3m.

5474. Here it is again, and you are still in an unrepentant mood about it?—Yes. I am still satisfied, from the explanation I had last time, that these vehicle movement costs include vans which carry parcels on electric lines, that is the ordinary vans; they include steam trains with guards vans that carry parcels and, if there be any, steam trains with vans devoted entirely to parcels—I do not mean necessarily the whole train devoted to parcels, but vans devoted to parcels. Therefore it seemed that the bulk of the parcel carrying activities which went on London Lines must be included in the costs, and therefore some part needs to be taken into account. It is extremely difficult to get at a figure, and I could do no more than rely upon the figures that I had given previously.

5475. To sum it up, does it amount to this, that on the information at your disposal and on consideration of the matter, you do not feel you can disregard this parcels item wholly, as has been suggested. It is difficult to put a figure on it, and the best you can do is £0.3m.?—Yes. The facts known to me, and all the facts stated as far as I could find out at the previous Inquiries, lead me to the view that there is a figure here, and that it should be something of that order.

5476. (President): That is really the substance of your evidence, that there ought to be some allowance for vehicle movement costs, the costs of moving trains in which are carried some parcels. That is what it really comes to?—Yes.

5477. (Mr. Geoffrey Lawrence): That is what it comes to. It has never, at any stage in any answer been quantified, I believe, nor has any attempt been made, to quantify it, by the Commission?—That is so.

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[Continued]

5478. And you have come down from £0.5m. to £0.3m.?—Yes. I did that during the 1951 Inquiry, mind you.

(*Mr. Poole*): Before we get too far away from it, may I go back to line 1, which seems to be the most vital figure in the whole thing?

(*Mr. Geoffrey Lawrence*): Yes.

5479. (*Mr. Poole*): Mr. Hill has just told me that he used the same multipliers in column 4 of the previous Table, C.C./H. 115 for those years, 1948, 1949, 1950 and 1951. I just want to know what were the basic figures, as I do not want to have to work it out backwards if I can help it.—I can give you them.

5480. If I may just refer Mr. Hill to R.H.W. 3, there you get the same mileage really, to all intents and purposes, as you do in B.T.C. 108, 14.5m. and 191.3m., against 14.5m. and 191m.—there is not much in that—and there is a value in B.T.C. 108 of 7s. 1d. and 6s. 9d., against 6s. 0d. and 5d.?—Yes.

5481. That leaves a figure of £9m. in R.H.W. 3, as against £10.6m. in B.T.C. 108, and £11.2m. which is the figure which has been accepted by Mr. Lawrence, I think at present?—Yes.

5482. Can you give me the sort of basis on which you calculated the others?—Yes. I am afraid I cannot give you the figure per car mile and per train mile without working them back, but I can give you the result of those figures.

5483. Yes, equivalent to the £11.2m. or the £10.6m. or the £9m.?—Yes, that is right: 1948, £9.39m.; 1949, £9.46m.; 1950, £9.48m.; 1951, £10.9m., and 1952, £11.3m.

5484. £11.3m.?—Yes.

5485. How you get at those you do not quite know—at least, I suppose you do?—Oh yes.

5486. (*President*): I thought last time you arrived at the figure of £9.7m. was it not, for the vehicle movement costs?—£9.7m.

5487. I am bound to tell you at once that I am relying merely upon the marginal note I made on B.T.C. 108, with your name against it.—That was for "X" year.

(*President*): I am sorry to have interrupted, Mr. Lawrence, with these old and unhappy memories.

5488. (*Mr. Geoffrey Lawrence*): Perhaps I am fortunate in that I do not share those. (*To the Witness*): The third line of C.C./H. 116-A you have already explained. It is the addition for advertising and rents?—Yes. That is the Commission's figure again.

5489. That gives you a gross figure, in line 4, in respect of each year, and then you deduct in line 5 interest, Central Administration common charges. This is a line which requires, I think, some explanation, does it not?—Yes, it does. The amount fortunately is much smaller, but it is really harder to get at the figure here than in the case of London Transport because you have no capital expenditure figures for London Lines. I made three tests on this occasion which led me to reject the £2m. which Sir Reginald has adhered to.

5490. (*President*): £1.9m.?—It is £2m., or £1.9m. after you take off the advertising and rents.

5491. Yes, comparable with your figure in line 5, it is £1.9m.?—No, £2m., because I have brought in the credit in line 3. I had that in mind in doing that. I have brought in the credit there so as to get figures here which are comparable with the £2m.

5492. (*Mr. Geoffrey Lawrence*): Your first figure of £1.4m. is comparable with the £1.9m.?—No, it is comparable with the £2m.

5493. Then I am making a mistake also.—Yes. The three tests I have taken are to follow as closely as I can, first of all, the test which Sir Reginald put to the 1950 Inquiry, namely to get at the total interest, to allocate 70 per cent. of the total interest to British Railways as a whole, and then in turn to allocate a part of it to London Lines in the ratio which London Lines' working expenses bears to the total British Railways' working expenses. That test gave me for each of the four years £1.3m., £1.4m., £1.5m., and £1.6m. That was one test. The next test was one in which I followed a similar line; instead of just taking the 70 per cent. which Sir Reginald

had said was the British Railways proportion in his view, I took a percentage which was the ratio which British Railways capital expenditure bore to the aggregate British Transport Commission expenditure, and the figures were rather higher than 70 per cent.; indeed they were 77 per cent., 73 per cent., 72 per cent. and 72 per cent. I then applied the same sort of division as between London and the rest of British Railways and that test gave me £1.4m., £1.4m., £1.4m. and £1.6m. The next test, which is rather more removed, was this: Having decided a figure for London Transport I then tried to get at a figure for London Lines by taking it in the same ratio of working expenses as between the two. I could not do otherwise, because there is no capital figure. That gave me a test very much lower. In the result I never used it, but I included it in my tests. That gave me £1.2m., £1.2m., £1.3m. and £1.4m. I then summarised the tests for each of the four years, and then took the highest figure in any one of those years. It did not mean consistently following the same line throughout. I took whichever test produced the highest figure in that year, and it came down, in the result, really to a choice between the first two tests because the others were consistently lower. That gave me £1.4m., £1.4m., £1.5m. and £1.6m. It did not give me the £1.7m.; that was purely a projection from the £1.6m., because I had no accounts for 1952, of course.

5494. (*President*): I do not understand that. For the moment may I limit myself to 1951 where you allocate against London Lines as their apportioned share of interest and Central Charges, £1.6m. That is right, is it not?—Yes, that is correct.

5495. Do I understand that £1.6m. is some proportionate part of some bigger figure, the bigger figure being British Railways as a whole?—Yes.

5496. What is the bigger figure for British Railways as a whole?—£31m.

5497. (*Mr. Poole*): Their contribution?—Yes, what their contribution to the interest would be, by applying 70 per cent. to the total interest, or, on my second test, it is £32m.

5498. (*President*): Have you worked out how much British Railways as a whole would contribute to interest and Central Charges if you applied the same method that you have applied for London Transport, by looking at fixed assets?—Yes, that is my second method, and that is £32.4m. in that case.

5499. What is the percentage of Central Charges?—72 per cent. in 1951.

5500. Then having arrived at that figure of £32m. as being the right apportionment against British Railways as a whole in 1951, what does £1.6m. represent?—It represents a percentage applied to that figure of 5.2 per cent. which is the ratio of London Lines' working expenses to the total British Railways' working expenses.

5501. Although in general you think that to allocate by working expenses is a bad way?—Yes, I do. Had it been possible to estimate the capital expenditure figure for London Lines, I would have wanted to have done that, of course, but I could not do it.

5502. (*Mr. Poole*): In arriving at the figure of £3.2m., or £31m., whichever it may be, that is the contribution of British Railways which would in fact include London Lines, would it not?—Which would include London Lines, yes.

5503. Have you considered, if they pay a figure of £32m., and £54m., or £55m. has to be found, who has to pay the difference?—Yes. I am not quite certain if I have a statement with me, but having got at the figure for British Railways and having got at the figure for London Transport, I did make certain experiments to see where the rest would fall, according to their capital expenditure, Road Haulage, Passenger Transport, Docks and so on. I do not know whether I have that actual statement with me. It was only a sort of experimental thing.

5504. (*President*): Some of it, on your calculations, would fall on an activity which could not possibly do that, would it not?—No, none of it would fall on an activity that did not have capital expenditure.

5505. I should rather like to see a table which allocated interest and Central Charges on this principle.—I can produce that.

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[Continued]

5506. Perhaps you can produce that after Easter?—Yes.

5507. (Mr. Geoffrey Lawrence): You will bear that in mind, will you?—Yes, I have a rough draft of it, but it needs doing rather more formally.

5508. But you can produce a statement for the learned President?—Yes, certainly.

5509. This reduction is an important reduction from the Commission's own figure?—Yes. I think when we get to "Y" year the figures get very close. They have gradually crept up, and there is only about £0.1m. in it by "Y" year. It is on the past years that there is a material difference.

5510. Yes. Then at line 6 you carry in stock redemption, and you need not add anything more about that now. That gives you the figures of surplus or deficit as in line 7?—Yes.

5511. (President): Mr. Lawrence, can we pass over the stock redemption figure? Presumably that is also an apportionment, is it not?—Yes, it is the same ratios applied again.

5512. The same ratios as applied for interest and Central Charges?—Yes.

5513. (Mr. Geoffrey Lawrence): It would have to be, logically, would it not?—It would be logically the same as the interest, yes, and any variation that you can possibly argue for cannot affect that £0.1m. That was how I arrived at that, the total being only £0.1m. on any test that you give it—working to the nearest point, you see.

5514. That gives you a total net surplus over five years of £5.3m.?—Yes.

5515. The second half of the table is headed: "Amending the B.T.C. formula" and the amendment is a reduction in the amounts charged for terminal documentation, and so forth, expenses. The figures which you have put in the table are £0.8m., £0.8m., £0.8m., and £1m. in the last two years?—Yes.

5516. We must devote a little time now to the explanation of that, must we not? Would this be a convenient moment to do it?—I think so, yes.

5517. It is picked up again, is it not, in the Memoranda at the bottom of the table, where you draw attention to the differences from the British Transport Commission method of computation, parcels, interest and Central Charges and terminal expenses?—Yes. Those three lines are just provided to pin-point where my figures do differ from the Commission's.

5518. And the aggregate of the five years reduction in terminal expenses reduces the figure of £4.4m., does it not, which was the credit on table C.C./H. 114A, which I said would require explanation?—That is so, yes. Those three items add up to £4.4m.

5519. Yes, that is where the £4.4m. comes from.—That is so.

5520. Now before we get to the detail of it, what is the basis on which you have evaluated those returns in terms of charges?—Coming to the end first, if I may, instead of adding the loading of 32 per cent. for these terminal expenses, I have added a loading of 25 per cent., which I think if anything is on the high side. Then applying 25 per cent. instead of 32 per cent. makes a difference at that stage which is aggravated slightly when one applies the extra 26½ per cent. to the difference, but in the result it is £0.8m., £0.8m., £0.8m., £1m. and £1m., all flowing from the substitution of 25 per cent. for the 32 per cent. in the formula—at least, it is not a formula; if I may say so, the formula only really applies to the top line, that is the old London Lines formula. It has no relation to the other stages.

5521. (President): What is the meaning of the phrase "Terminal Expenses"? Does that relate solely then to B.T.C. 108?—That is it, Sir; but the figure allows for the consequential alteration of 26½ per cent.

5522. Of course, because it adds to the vehicle movement cost?—Yes.

5523. (Mr. Geoffrey Lawrence): Am I right in thinking that you have on a previous occasion contended for a figure of 25 per cent. as opposed to 32 per cent. in this matter?

—Yes, I put forward the last time, but with not very much evidence to substantiate it, 25 per cent—or hardly any evidence. The thing that could be put forward then was that clearly 32 per cent. seemed to be too high, and one had a key to certain figures from the accounts, and from that I formed the opinion that it must be something substantially lower than 32 per cent., and I put forward a view of 25 per cent. Now the matter was fairly fully dealt with mainly in cross-examination of me, of course, as to why it was 25 per cent. I dealt with it by saying at the time that there were obviously certain items here in which the incidence on the London Lines was nothing like what it was elsewhere, and looking at it broadly, it seemed to me that there was enough to bring the figure down substantially. I put forward 25 per cent. The line of cross-examination that was put to me then was that we have considered this matter very carefully, and we agree with Mr. Hill that there are some items which point that way, but there are others that point the other, and we are satisfied, I think the phrase used was, "for every two one way there are two the other" and by and large it works out about right. I must admit this is one of the things that one kept on turning to at odd moments and pondering about.

When this Scheme was lodged, one of the first requests I made to the Middlesex County Council was that I really would like to get down to this a bit further because I still feel it needs more probing, and that was the origin of the requests for information on this particular line.

5524. And that was the origin of the correspondence which I read some days ago now, I think, in the course of my cross-examination of Sir Reginald?—That is so, yes.

5525. It was the origin also of my unsuccessful Application to be given certain figures?—That is so, yes.

5526. So we must do the best we can. Now when I asked Sir Reginald questions about it, I rather think he shifted slightly from 32 per cent. to what he calls a round 25½ per cent. but that, from our point of view, is not a significant shift, is it?—I think that is not really related to the points of criticism I would put forward at all. From another point of view in dealing with figures like this round figures have some merit.

5527. If you have been able to carry the research for material a little further this time than last in justification of 25 per cent. perhaps I had better ask you how you deal with it.—Yes, I have now been able to carry it considerably further, and had it been possible to have got figures against each of the items which I will be detailing as set out in the Commission's letter I think we could have carried it almost to the point of conclusion. It is a long and rather involved matter. I think I can satisfactorily deal with it in this way: in the London Lines computation on the lines of B.T.C. 108 a loading for these costs at 32 per cent. on to the vehicle movement costs is made, that 32 per cent. being the same figure as was derived on a test made on the results of the year 1949 for British Railways passenger services as a whole. The effect of adding the constant percentage for London Lines as elsewhere to the vehicle movement costs is that a little over 15 per cent. of the total costs which make up this category of expense are allocated to London.

That perhaps requires a little explanation. The cost of vehicle movement London Lines, as computed on the formula, is about 15 per cent. slightly higher than 15 per cent., of the total cost of vehicle movement of British Railways passenger trains. Therefore, as the loading is equal on both, it means that 15.2 per cent.—that is my figure—of the total terminal costs of British Railways passenger services is allocated to London Lines. That is a key figure in the whole figure; it is quite easily proved from the figures that were given at the last Inquiry, quite easily proved. Now on the 1949 test which the Commission made, which they informed us in correspondence was the last test of its kind—

5528. Yes, that emerged from one of the letters.—Yes, the total of these expenses, this category of expense, was put at about £20m.

5529. And the amount allocated to London Lines was, I think, £3.04m. was it not?—On the 1949 test it would be. When it came to the "X" year in 108 it was rather higher.

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[Continued]

5530. (President): Was it?—It was £3.4m., whereas if it were done in 1949 it would be £3.04m., but there is the 15.2 per cent.

5531. (Mr. Geoffrey Lawrence): I think the reference to the contemporary B.T.C. exhibit is B.T.C. 110 for the "X" year figures. Is that not right?—For British Railways as a whole.

5532. The total there was put at £22.3m., was it not, and, as you say, the amount allocated to London Lines was £3.4m.—£22.3m.; that was given by Sir Malcolm Trustram Eve.

5533. You cannot get it all from B.T.C. 110, Mr. Lawrence.—No you cannot.

5534. (Mr. Geoffrey Lawrence): Yes, I see that now looking at it. But part of it is indicated—but one can get the 15.2 per cent. from B.T.C. 110 which I have just noticed, I might have drawn attention to that for it is a relationship of 14 to 92 which applies to specific expenses. That includes this. That does prove it, but that is not how I got it. So it really means that 15.2 per cent. of the terminal costs of British Railways passenger services as a whole are allocated to London Lines. That gives us a means of testing it, going down the various items of expense, considering whether it is reasonable that something like 15 per cent. of them should be put against London Lines.

5535. The items that comprise that group are all of them known items, are they not?—They are known by description; they are fully set out in a letter from the British Transport Commission to the Clerk of Middlesex County Council. They are not, of course, the same headings as are used throughout the accounts, and no figures against each item were given, and I understand could not be given.

5536. But for some of them we do know the expenditure, do we not?—Some of them we know, and on others we can make some tests. It would probably be easier if I dealt with some of the items we know, although some of them may be small.

5537. We had better be careful to get it quite clear and take it in order, Mr. Hill. What is the first item that you would take?—I will take them as I have them in my list here. One that has been mentioned is the passenger tickets, which stands at £0.8m. One must remember that the Londoner who goes on a main line journey is not in the reckoning at all, and the receipts are not in. It is not a question of where the man comes from; he is not a London Line traveller at all for the purposes of the Commission's conception of London Lines, unless his train is a stopping train, as it goes out of the London area. Then he is to some extent a London Line traveller. I think it can be said that this particular item of expense, small as it is, has hardly any relation at all to London Lines traffic as such. It is only one item and a small one.

5538. The next one?—The next one is the heading of publicity which is £0.9m. That clearly has very little relationship, nothing like a proportionate relationship, to the suburban traffic as it has to the excursion traffic and main line traffic.

5539. (President): Where is that?—That is from the accounts, Sir. I am working from the 1949 Accounts because the £20m. is 1949, so as to get them comparable.

5540. (Mr. Geoffrey Lawrence): Publicity and public relations, is that it?—Yes.

5541. (President): There are no public relations relating to London Lines, I gather, or very little?—Yes, I think this is largely publicity, because the item is described elsewhere in the letter as "publicity and posters".

5542. (Mr. Geoffrey Lawrence): Posters being the sort of thing we see in connection with excursions, holidays and so forth?—Mainly, I think; I take it it would include station wall time-tables. I do not know if it does.

5543. No doubt there is some proportion?—There is some, but it cannot be proportionate.

5544. It is a question of the balance?—It is.

5545. And you say, whether rightly or wrongly, very little of it is London Lines. The next heading is the large one of wages?—Yes, the next one porters.

5546. Passenger porters is a substantial part of the £20m., is it not?—Yes, it must be because there is no figure shown in the accounts for the cost of passenger porters; they are all included in the heading.

5547. (President): Ticket collectors, policemen, porters, is it not?—That is right, yes; that heading was £28 $\frac{1}{2}$ m. in 1949. But if one looks at page 344 of the 1949 Accounts—

5548. (Mr. Geoffrey Lawrence): What does one see that is relevant there?—One gets the figure of the number of porters engaged for the whole of the service. There is a separate figure for goods porters. I am disregarding that. There are 26,000-odd porters, and their earnings are given, admittedly only for one week but they are fairly constant. From that one arrives at a gross cost for porters of about £8m. a year.

5549. Those would be passenger porters?—Yes, they are passenger porters, not goods porters because there is another 14,500 for that.

5550. If that is right, and passenger porters account for approximately £8m. of the £20m., what do you say about the utilisation of their services by the London Lines traveller?—Well, there again I would say that there must be a comparatively low percentage for this reason: A very large part, I take it, of the portage duties consists either of the carrying of passengers' luggage and seeing to it, or the handling of goods by passenger train, and certain other duties too, of course. Now, in relation to their attendance on passengers, and their looking after their luggage, clearly they have very little function indeed on London Lines. They are employed in great numbers, of course, at the London terminals but not on the London Lines traffic. In relation to the handling of large quantities of parcels and the like, despite the small allowance for parcels elsewhere, they cannot have much relationship on London Lines traffic where it cannot be anything like it is on the main lines. With regard to attending the incoming and outgoing trains, shutting doors and so on on the main line trains, one would expect their services to be rather more on London Lines than elsewhere. But that can only be a part. Looking at that generally I think one can form the opinion that it must be only a small part of that porters' figure, and I think it would be very small indeed.

5551. Then the next item is what?—The next item? There are two small ones. The next item is a small one: left luggage attendants and the like employed at stations, passenger stations, for which I cannot put a cost figure; but it would undoubtedly be very small, probably well under £1m., I take it, well under. But they again hardly feature in the normal traffic of London Lines. The next item is the seat reservation staff which there do not deal with the London Lines traffic. They probably deal with the Londoner when he goes out on the main line and does not travel as a London Lines traveller.

5552. If he is travelling in the London Lines area he does not usually go to the trouble of trying to reserve a seat?—No. I know the item is small but there it is.

5553. The next one?—The next one is station foremen. The number of stations—this is a crude approach—the number of stations on the London Lines is known to be a figure of about 600.

5554. They kindly told us that in response to a question I asked the other day.—Yes, a little higher than a figure I tried to deduce from proceedings in 1939, but it did not alter my conclusions to any extent. I was working on a figure of over 500, but we know now it is 600. The number of stations a whole which are either passenger or partly passenger, is 6,500. That, of course, really means that London Lines is about 9 per cent. of the total. That is a very, very crude test to begin with because it just takes a number of stations disregarding their size and everything else. On the one hand one would get in the outside London Area, of course, included in their figures, a vast number of small village stations, and the like. Yet again it must be remembered that on the London Lines stations many of them are not exclusively London Lines. They are serving main lines as well. I should have thought that on this station foremen item the incidence of it may be about equal in and out of London, allowing for the different factors each way.

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[Continued]

5555. Then the next item is station masters and clerks, is it not?—Yes. I think rather similar considerations apply there in relation to station masters, but the incidence of clerks may perhaps be—well I do not know, it is difficult about clerks; I am not sure what all these clerks are; they are not booking clerks as I understand it, there are all sorts of other clerks. That is one of the items I find very difficult to deal with.

5556. We will leave that in suspense. The next one is passenger inspectors.—I understand there are very few in number; what we call passenger inspectors, apart from ticket inspectors, are very few in number, and do not affect the issue one way or the other.

5557. That deals with that group of items; the next one is compensation payment of passengers, but that is very small.—Yes.

5558. Then we come to something we ought to examine; that is documentation, ticket issue, collection and inspection. Have you a figure for that?—There is no figure in the accounts but Sir Malcolm, in cross-examination of myself last time, said that this group is worth 7 per cent. of the 32 per cent. If the 32 per cent. has accounted for £20m., presumably the 7 per cent. accounts for £4.4m. There is nothing in the accounts by which one can get that at all, but that was given by Sir Malcolm to me, so presumably it was made on this analysis of 1949 referred to in the Commission's letter. We do know one element of it, namely, the ticket collection. But, of course, we can again apply the staff list and find the number of ticket collectors; we find that it is £1.3m. So it is about £4.4m. in total, of which £1.3m. is ticket collection. By inference the rest must then be for ticket issue and ticket inspection.

5559. Dealing with that, are ticket inspectors employed on London Lines to any great extent as opposed to main line trains?—No, I understand not. One rarely sees them.

5560. But ticket issue and collection might well be higher on London Lines than on main lines.—Certainly higher than that 15 per cent., without question, yes. It would bear a closer relationship to the number of passenger journeys, I would say, than it would possibly to the vehicle movement, although it would not be proportionate to passenger journeys. There is the one place, I think, where it does pull the other way; inspection being less than proportionate in London by far, ticket issue and collection being higher.

5561. Then the next item is stationery, printing and postage, is it not?—Yes. There is no reason to expect that there would be a higher charge on London Lines than elsewhere in relation to the basic figures of vehicle movement. I would not like to say it is one of the items that cannot be apportioned.

5562. The next one, lighting, fuel and general stores. That is exclusive of train costs, is it not?—Yes.

5563. What do you say about that?—Well, that, I think, would bear a fair relationship to the station figures and the like. Some evidence was given by Sir Bernard Wood in 1938—

5564. (President): 1938? I am not questioning the date; I am only hoping we are not going back to 1938 or 1939 too often.—No. The costs in London, that is costs per mile per line—he was using lines to include the stations on it; he was making that clear—were about 1½ times that of elsewhere. You get a figure then that must be under the 15.2 per cent.—You cannot get up to the 15.2 per cent. If you include the great big London terminal stations then of course you can, but substantially a large part of them are not London Lines.

5565. (Mr. Geoffrey Lawrence): At all?—At all.

5566. Then the last item is maintenance renewal of stations' offices and approach roads.—One gets the same feature again there.

5567. The same thing applies?—Yes.

5568. So generally, except in relation to ticket issue and ticket collection, what do you say about these terminal costs?—You get several items, some of which are quite sizeable, which are clearly under the 15 per cent. standard and must pull the average down considerably. You get two that pull it the other way, ticket issue and ticket collection, and then you get some others that are probably on the standard. There is a much bigger pull down than

there is a pull up. You can test that by taking the eight pieces to this jigsaw and putting values on them. That is what I was hoping to get. I was hoping to get the values from the Commission which would enable me to do this with accuracy. In putting reasonable values where you do not know them—and you know about half of them—however you juggle those pieces, you cannot get to a higher average than 12 per cent. on the 15 per cent. on the placings that I have done. If you have 12 per cent. instead of the 15 per cent. you will get, instead of the 32 per cent. loading, a 35 per cent. loading; that is a loading on vehicle costs. I fail, in looking down these items, to see that what was put to me last time is right; namely, that for every item you can find one way, you will find another the other way to cancel it out. It seems to me you find a much bigger pull one way, much more marked than the other, and they do not appear to cancel out by any means.

5569. So in the end, on further research and thought, you will stick to your 25 per cent?—It so happens I do, but I was not in any sense wedded to 25 per cent. when I started on this exercise, because I was hoping with the figures available I could make an entirely new and objective analysis, and I still think it could be done.

5570. (President): It is only a coincidence?—I cannot give a figure higher than 25 per cent. so I keep to 25 per cent.

5571. (Mr. Geoffrey Lawrence): That, I think, explains Item 8 on the Table CC/H. 116-8, your reduction in the amounts charged for terminal documentation, etc., and expenses, and it also explains the figure of £4.4m., on the preceding table, which you brought in by way of credit.—Yes.

5572. Now we pass from that and go to the next table, CC/H. 117-A. This is London Lines again, the estimate of net surplus in "Y" year. It is in fact, is it not, a budgetary statement for London Lines for "Y" year?—Yes.

5573. There is no Commission exhibit in this Scheme which we can either use or with which we can compare yours?—That is so.

5574. Let us just look at it. It begins in line 1 with a deficit in "X" year at the figure of the original estimate of the British Transport Commission. Then there is the amendment in line 2 by way of additional wages; line 3 is the deficit in "X-A" year on the pre-1952 Scheme fares. Then you allow for the increase in fares authorised by the Tribunal which gives you in column 5 a net working surplus in "X-A" year, according to the Transport Commission's own contentions, of £2.3m.—Yes.

5575. So that so far down to line 5 there is not anything, or apparently nothing, contentious at all?—That is so, yes.

5576. Then you deal with alterations in "Y" year in line 6, an improvement in traffic revenues, of £0.1m., and that is also derived, is it, from the figures put forward by the Commission?—Yes.

5577. They come from B.T.C. 401, and your own CC/H. 101, but they do not reflect the point that you were making yesterday that the estimates on B.T.C. 501 were under-estimated?—No, that £0.2m. is not brought into this at all because it was felt that the matter had to be put to Mr. Valentine—well, it was wished to; I think I could have given effect to it here, on reflection—but it was not given effect to.

5578. You have not taken credit for it here?—No.

5579. Then line 7, the increased working costs less economies on reduction in steam train miles and electric car miles is indicated on B.T.C. 501.—Yes. Let me be fair: that indication does not indicate the £0.7m.; it only indicates the reduction in the miles. It may be misleading there. The £0.7m. is not taken from that; it is a calculation made from it.

5580. It is the result, is it not, of a comparison of the working costs of British Railways as a whole for "Y" year with the earlier estimates put forward for "X-A" year?—Yes.

5581. Then after making that gross addition for the rise in working costs you have got to make a downward adjustment, have you not, for the reduction in the number of steam train miles and electric car miles which are proposed to be run in "Y" year?—That is quite so, yes.

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[Continued]

5582. So the net result of both the changes is to show, is it not, that working expenses may have increased since the 1951 estimates were made by approximately £0.7m. a year?—Nett, yes.

5583. Is that what you are saying by means of that line 7?—Yes, and I think—remembering that I am keeping to Sir Reginald's first test; in other words I am working on the old formula as his first test did—he for "Y" year came to £11.2m. for vehicle movement costs, and everything else follows. I came to £11.3m. which embodies in it this £11.7m. which is for "Y" year. Clearly there is not much issue between us there.

5584. In any case your detailed calculations are available?—Yes, they are all available.

5585. Then line 9 is a deduction from the proposed increased fares in the 1953 scheme taken from B.T.C. 510?—Yes.

5586. That gives you a figure of £2.8m. to which you add—it looks like our old friend—parcels, giving you a gross figure of £3.1m. less, and that figure of £3.1m. is the net surplus, is it not, according to your calculations, on London Lines in "Y" year before charging for interest or for central administration, common services or stock redemption?—Yes.

5587. (President): But after allowing for the yield of the new charges?—Yes, but before making this for terminal adjustment.

5588. (Mr. Geoffrey Lawrence): Which again is segregated and shown up clearly?—Yes.

5589. Is there anything you ought to say about these figures of reduction in lines 13, 14 and 15?—Nothing at all.

5590. We have had them already, have we not?—We have dealt with them already, and the interest on the stock figure at "Y" year is taken at the same as 1952, the £1.7m. There will be gradual increases, of course. We will probably get to £1.8m. in another year or the year after that; something like that.

5591. So that gives, in line 18, a net surplus after an increase in fares, of £1.4m.?—Yes.

5592. But as you have already pointed out that is before making any adjustment in respect of terminal expenses of the nature which you have explained?—Yes.

5593. And if you make that adjustment at £1m. it gives you a surplus of £2.4m. on the basis of the proposed increased fares.—That is so.

5594. And that we shall find carried forward in your next table, C.C./H. 118-A. Now this is a statement of the financial position of the London services as a whole, is it not, in "Y" year?

5595. (President): C.C./H. 118-A.?—No, surely not. It is at the end, Sir.

5596. (President): But the main body is London Transport Executive.—All the main part is London Transport Executive only, down to line 9.

5597. (Mr. Geoffrey Lawrence): That is quite right; the last line is the one I had in mind. And that is on the basis of course of the proposed increase in fares. At the top of the table, as the learned President has pointed out, dealing with the London Transport services, you take the figure of their total net receipts from B.T.C. 403 at £6.3m.?—Yes.

5598. From that you make deductions?—Yes.

5599. Some explanation, perhaps, of those is required. Where do those figures come from?—They are really based on the figures brought out in C.C./H 114-A. where, taking the interest for instance, we got a figure for 1952 of £4.4m.

(President): That is line 9 for 1952 in C.C./H. 114-A.?

5600. (Mr. Geoffrey Lawrence): Yes. You have put it in here at "Y" year at £4.6m.—Yes, that is the interest in line 5 of table C.C./H. 114; it is £4.4m. I have allowed for further capital expenditure, I just forgot the amount, less depreciation; that brings the figure by "Y" year to £4.6m., £4.4m. goes up to £4.6m. The allocation of costs, central administration, which are £0.2m.—they were £0.16m. in 1952; I put them at £0.2m.—stock redemption, which was just under £0.3m. in 1952 is brought in at £0.3m., and then the item for the rents is knocked off at £0.2m.

5601. So that line 7 there would give us a net surplus before making any adjustment of £1.4m.?—Yes.

5602. On the London Transport Executive services?—Yes.

5603. In "Y" year?—That does bring into account the proposed new increased charges, but it does not bring into account the £0.8m. which was the subject of the Exhibit handed in yesterday, because that could only be prepared after Mr. Valentine's cross-examination, and you will remember you did not feel you could ask for a further revision.

5604. Obviously there had to be an end somewhere and the most you could do was to point out that that figure of £1.4m. is exclusive of any further allowance that might or might not be appropriate as a result of the calculation you put in yesterday.—That is right.

5605. Then we have the adjustment in line 8 of the abnormal maintenance funds or maintenance allowance of £3m. which were explained earlier to-day, giving you a net surplus on London Transport Executive of £1.9m.—Yes.

5606. Then in line 10 you carry in the net surplus from the immediately preceding table on London Lines at £2.4m.—Yes.

5607. And adding those two surpluses together to get the picture of the whole of the London area you get a total excess of £4.3m. Is that right?—That is so. That is exclusive of the £0.08m. on the London Transport Executive, exclusive of the £0.02m. on London Lines, therefore exclusive of £1m. in total.

5608. And it does not contain any weighting for the Coronation or anything of that sort?—No.

5609. (President): Let us just look at C.C./H. 118-A, to line 9. If one neglects for a moment for the purpose of comparison the abnormal maintenance adjustment the figure would be £1.4m., would it not?—Yes.

5610. And the difference between that and the Commission's estimate is £0.6m., is it not, B.T.C. 403 bringing up the balance to £0.8m.—I think that is so. Yes, that is so, again without the £0.8m.

5611. (President): Again without the latest addition.—Yes.

5612. (Mr. Poole): Have you any idea in your mind, Mr. Hill, as to what surplus you plan for London Transport Executive as being a financial entity in the books?—A surplus over and above everything else?

5613. Let us assume your figures for the moment. Let us assume your own allocation for central charges and that sort of thing.—Quite, yes.

5614. Obviously you must budget for some surplus, must you not? You would not budget to break exactly even because you never do, do you?—No, but the factor that would be uppermost in my mind is, what have you got in hand? Have you got a deficit behind you or a surplus behind you? If, as I believe to be the case, you have a total surplus behind you on London of something of the order of £9m., or even without the contentious items nevertheless a sizeable figure I would be content.

5615. Your £9m. has been applied to the area, but I am thinking of the financial entity at the moment.—Of London Transport, Sir? I would try to avoid doing it if I may say so, because I think it is false to do it in view of the assimilation of charges and the other things that took place in 1950.

5616. I am trying to arrive in my own mind at whether it is correct; one has to consider whether it is correct, and whether one has to make some adjustment.—I must say I have not addressed my mind to London Transport Executive on its own.

5617. (President): Then will you address your mind in the way you have done, to the London area as a whole, and assume you are wrong in thinking that there is no accumulated deficit for the London area as a whole. How big a surplus would you think it reasonable to budget for in a future year?—If there is no accumulated surplus?

5618. Assuming you are wrong in thinking that there is an accumulated surplus?—I should certainly want to budget for over £1m. or probably £1m.

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5619. Really, Mr. Hill, £1m. would be the only safe answer?—I think it would, yes. The other is too fine against the total.

5620. (*Mr. Geoffrey Lawrence*): If I may understand it, that is on the hypothesis that there is neither a surplus nor a deficit?

(President): Certainly that there is not an accumulated surplus, and that Mr. Hill is wrong; and of course, the bigger the deficit the more probable you would think it right to provide for a surplus for a future year, would you not?—I would because adhering very firmly to the view that London should pay its way, I cannot possibly maintain that a deficit should be left unliquidated.

5621. And I think you said you would think it reasonable to clear off any accumulated deficit if there be one in five years?—I did, yes.

5622. So if one gets the capitalisation of how much one ought to provide for if there be any deficit?—Yes.

5623. It could not really in fact be less than £1m., could it?—It could not really, no.

5624. (*Mr. Geoffrey Lawrence*): If you would allow me to follow that up for the purpose of any argument I might want to submit after, if the hypothesis is that you are right and there is an accumulated surplus about the figure you have indicated, what is the budgetary surplus you would have in mind then?—I would not aim at a budgetary surplus then, I would say of it. I would not go to the other extreme and say, "Let us work that back in and have a loss for five years". I would not do that, of course, but I would say there is a back-log—not a back-log, an accumulation—of many millions surplus there, therefore I make my budget as near as I can with no margin one way or the other. I would say let that look after it.

5625. (President): It would be contrary to the Act, would it not, to what you call "work it in", there being an obligation on the whole Commission and so far as possible on each individual authority at some time to build up a general reserve?—Precisely, yes.

5626. (*Mr. Geoffrey Lawrence*): Can I pass over table C.C./H. 119 for a moment, and go to C.C./H. 120-A. Has that table been prepared in order to present a complete budgetary statement of receipts and expenses for the London area in "Y" year?—Yes, it is the counterpart of C.C./H. 118-A; the two fit in together and can be reconciled.

5627. (*President*): No, is it not C.C./H. 117-A combined with C.C./H. 118-A?—It is, except that the totals of C.C./H. 117 were brought into the bottom of C.C./H. 118.

5628. (*Mr. Geoffrey Lawrence*): Is there any new element in that table for which you ought to make any explanation, or can I proceed straight to the conclusions?—Everything is covered by the preceding tables, except the very last item.

5629. Before we get to the last item may I just indicate to you line 14, which is the total of revenue requirements on the two constituent parts of the London area, adding in the fifth column, to £90.1m.—Yes.

5630. Then immediately after that you have put the passenger receipts present fares which is £88.3m. or a difference of £1.8m. is it not?—£1.8m. yes.

5631. As near as that?—Yes.

5632. I need hardly say of course that the total of revenue requirements is a total which is reached via a good deal of the evidence of figures and so forth that you have already given.—Yes, this is entirely reconcilable with the other two tables. It can be matched up.

Cross-examined by Mr. WILLIS.

5641. Mr. Hill, in one of your exhibits you describe yourself as the adviser to the Middlesex County Council and the other councils?—Yes.

5642. Are you merely their adviser for the purpose of this Application?—No, I advise Middlesex County Council on several matters, and some of the others.

5643. Have you for example been advising the Middlesex County Council in connection with their recent rates increase?—No, I do not advise them on those matters.

5633. Yes, that is what I thought. Then you have added in line 16—

(President): Again in 15 one has to take into account, if one wants the latest of Mr. Hill's views, the additions to the traffic receipts, the £60.77m. becomes £60.85m., and £20.6m. becomes £20.7m.

5634. (*Mr. Geoffrey Lawrence*): Yes. The difference in the last column makes it £80.2m. I am obliged. That is the latest position. Or it is a difference of £0.9m. between revenue requirements and passenger receipts at present fares. Line 16 is an addition for further increases within present limits available under the 1952 Scheme re sub-standard fares. What does that mean?—This turns on one of the first items that were mentioned at the opening of this evidence. This is put in here as being the value available to the Commission already in the charging powers which they possess. I am not myself expressing any view that it should be preferable to put up the sub-standard charges within those limits rather than put up the others; that is hardly my function, but in giving a picture of the whole thing it was necessary to bring in that point. On that turns the first major question you put to me, namely, what is your general conclusion here? I said either there should be no increase of fares at the present time or, if there is, to a small extent. And the small extent entirely turns on the view that one takes as to whether the existing margin of power should be exercised or not. At least the view the Tribunal take. It is clear from the summary of my own figures, and if the sub-standard charges were put up, it is clear that there is no occasion for any other increase. But on these figures, forgetting for a moment the £1m., to £0.85m., it is clear that if the sub-standard charges were kept at their levels then there is a small gap to be covered.

5635. (*Mr. Poole*): Just as a matter of accuracy, with regard to your figures there, are they the present margin limits for sub-standard fares or the limits that there will be after the 1st May?—After the 1st May, because it is the £14m. which Mr. Valentine gave, and I think he said for all practical purposes that was as much as they could get out of it. I had hitherto in my original calculations (but not in the table) used a rather higher figure.

5636. (*Mr. Geoffrey Lawrence*): So that on your figures as put in the table and excluding the amendment for additional receipts in "Y" year, there would be a gap to be bridged which would be bridgeable by the use of their existing powers, and after the addition, if we could make it, of further receipts for "Y" year. There is still a slight gap but it is of very small consequence. Is that what it comes to?—Yes.

5637. In either event, this is a matter of argument, but there would be no justification for a scheme such as this.—That is my view.

5638. There is one other table which I would like you to deal with very shortly; it may be used for reference. That is table C.C./H. 119, which shows certain figures expressed in percentages, the percentage increase in fares since September, 1950, if the new proposed fares are authorised.—Yes.

5639. I do not know that there is any particular point to which it is desirable to draw attention, but it might perhaps be of interest to draw attention to lines 21, 22, and 23 at column 6, which shows the proportion or disproportion (whatever view one likes to take) of the increases, as affecting early morning fares compared with ordinary and season tickets.—It does show that, yes.

5640. Before I sit down is there any other matter that you desire to add before Mr. Willis' cross-examines?—I think not.

5644. They have not asked you to apply your financial ingenuity to ways and means of not putting up the rates?—My services would be at a premium if I could do that, but I am afraid I cannot.

5645. At this present Inquiry I am just anxious for your help, if you would be kind enough to give it me, as to the role which you intend to play. As I see it there may be two roles you might be playing; you might first of all be giving evidence for the purpose of trying to assist the

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Tribunal in arriving at the right conclusion as to fares to be charged in London and elsewhere.—Yes.

5646. That is the first role you might be playing—Most certainly, yes.

5647. The alternative is this: you might on behalf of your clients be trying to find financial arguments to support their case. You see the two roles. Which role are you seeking to play at this Inquiry?—The first role.

5648. I felt sure you would say that—I am not given the job of "make a case and do your best".

5649. I felt sure, Mr. Hill, you would agree with that.—Oh yes, I can agree readily.

5650. And perhaps you would also concede this, that it is not in the interests of the London passenger that he should be asked to pay less than is the proper amount—I quite agree. That is the whole of my approach to it.

5651. Can you believe, Mr. Hill, that the British Transport Commission are only putting this Application forward because they consider it essential in order to safeguard their financial position?—I am sure they think that.

5652. You think they are merely mistaken and misguided?—I think they are mistaken in some respects, yes.

5653. Can you also believe, Mr. Hill, that the British Transport Commission would not lightly have put forward this Application so soon after the previous Application?—Yes, I do not suppose they took kindly to having another one so soon.

5654. In 1951 you did suggest that the Commission was unlikely for very many years indeed to get rid of its deficits. Do you remember?—Its accumulated deficit, yes.

5655. You remember saying that?—Oh, I did, yes.

5656. I am not going to pursue that at this stage, but would you agree that in any event the Commission are right in seeking to avoid further deficits?—Of course.

5657. Do you equally take the view that it would be wrong to allow London Transport Executive to incur further deficits?—No, it would not be wrong if they were balanced by a surplus on London Lines in future. If the two together worked out all right I could see nothing wrong.

5658. Can you not with your own mental elasticity think of London Transport as a separate entity?—Oh yes, I can think of them as a separate entity but I am convinced, and convinced by the case that the British Transport Commission have themselves put in the past, that it is a false line of thought.

5659. So you are not prepared to agree that it would be right for the Commission to try and ensure that London Transport looked at separately should not show a deficit?—No, I do not think it would, because the whole approach has been to avoid such a segregation in the past.

5660. In 1951 you told the Tribunal that you thought London ought, in fact, to make a contribution of about £1m. towards deficits elsewhere?—Yes.

5661. Do you still take that view?—No. I would take that view if I am wrong about the accumulated contribution that has already been made, which I put at £9m. I will be quite candid about that: if the result of my little sums had been no deficit and no surplus in the past for London as a whole, I would have put £1m. or something of that order into that budgetary statement again, on the principle that I think there should be something there.

5662. That is an additional thing. You said, as I understood it, in answer to the learned President, I think it was, that you thought there should be in any event a surplus?—I mean that. I do not mean two lots of £1m.

5663. I just want to make it clear: the £1m. you have just referred to would be swallowed up by the £1m. you referred to a little earlier?—They are aspects of the same thing, because a surplus on London is a contribution towards the Commission as a whole.

5664. Let me see if you agree with this: where an application for fare increases follows rather soon after a previous application, would you consider it desirable that the figures put forward should be as firm figures as possible?—I always consider that desirable, yes.

5665. Of course, in the case of London Transport, there are firm figures available.—Up to 1951, and, I imagine, to the Commission, up to 1952, although we do not know those.

5666. For London Transport you would agree that it is possible to produce a firm budgetary statement?—Down to the point of a net surplus, yes.

5667. In regard to London Lines, the position is just the reverse, is it not?—No, it is not just the reverse. It is a harder task.

5668. Do you have in mind what you said on the previous occasion in regard to London Lines?—In particular?

5669. I do not want to have to refer to too many passages, but this was at the top of page 434 in relation to the costing approach for London Lines?—Yes.

5670. Do you see the right-hand column on page 434, the fifth line: "It is fairly obvious that although that is a method of approach, it is a method of approach which cannot possibly claim, as we submit, any fine degree of precision—one is working on 1938-39 experience as a base; the pattern may have changed; allowances for increased costs could not be exact, and in any case there is over such a long period of years plenty of change for the margin of error to get bigger"?—Yes.

5671. You were in effect at the last Inquiry seeking to say this, that you cannot be precise in regard to London Lines?—That is directed towards that one formula, of course, but I was, yes.

5672. That was the gravamen of your criticism of the Transport Commission last time, that London Lines figures are most inexact and unreliable?—No, not most inexact.

5673. Very inexact.—There was plenty of room to get wrong at that point, yes, I said that, and of course the Commission took the opposite view. The Commission supported their calculation; they said that B.T.C. 108 was a fair assessment of the position.

5674. I do not want to read further passages, but you did give evidence on the lines I have just read on two or three other occasions during the proceedings?—Yes, I did. In particular I tackled the question of the vehicle movement costs and gave some alternative figures, which I think proved to be wrong under cross-examination.

5675. You would concede this, would you not, that with London Lines costings being in a position such as that it is quite impossible to produce for London Lines anything which can be remotely called a budgetary statement?—No, Mr. Willis. The Commission having produced one in 1950 and built their financial case on the strength of it, and the Commission having put one forward in 1951 and established their financial case on the strength of it, quite obviously they could do it again in 1952.

5676. Are you calling B.T.C. 108, with your financial experience, a budgetary statement?—Yes.

5677. And not merely a costing estimate?—Certainly it is given the same status in the summary as the figures relating to London Transport.

5678. But it is quite clearly compiled on an entirely different sort of basis?—The facts are different. There are not separate accounts.

5679. And for that reason I suggest to you it is quite impossible, in the case of London Lines, to produce anything which can be given the title of a budgetary statement?—All I can say to that is that the British Transport Commission have twice performed the impossible, because they have done it twice in the past.

5680. What I am suggesting to you is this, that with the London Lines position as inexact and imprecise as everyone agrees it must be inevitably, with London Transport costs, however, clearly ascertainable, the Transport Commission were right in approaching this Inquiry first of all from the costs of London Transport. I suggest that that was clearly the right approach to this problem?—And you want my view on that?

5681. Yes.—I think it is absolutely the wrong approach and directly in opposition to what they have done in the past. What is more, see how it leads one. If you take an identifiable unit, as Sir Malcolm called it last year, the London Area, and base one's case on that, and then discard a part of it because a part of it might not be paying its way, you get a position in which you could

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[Continued]

apparently justify all sorts of increases. Why not separate the Buses from the Tubes and discover that the Tubes are not paying their way, and put up fares there, and so on? If you once break away from that main principle, it seems fraught with danger from the public's point of view.

5682. I am going to ask you to be kind enough to follow the questions which I am going to put to you now on the assumption that the British Transport Commission were right in approaching it from that point of view?—Yes.

5683. You feel able, do you not, with your ingenuity, to apply your mind to a matter put in that way?—Yes. So long as it is quite understood that I think we are on false ground.

5684. In regard to London Transport, there is provided by the British Transport Commission at this Inquiry two things, first of all in B.T.C. 401 and 403 there is a budgetary statement?—Yes.

5685. And there is in B.T.C. 402 a statement setting out in effect the changes in the financial position of London Transport since the previous Application?—Yes.

5686. A case presented in that way has also this added advantage, has it not, that it will not cause you any surprise?—That is a familiar phrase, yes.

5687. Do you remember on the last occasion expressing a great deal of surprise that the Transport Commission had not started where the Tribunal had left off?—Yes.

5688. You remember that?—Yes.

5689. So that this approach has had that happy result in any event?—Yes. Of course, there are other features too. I remember the learned President saying, "I think Mr. Hill must have got over his surprise".

5690. Anyhow you have no cause to feel surprised to-day?—No.

5691. Let us approach London Transport in this way: Until half-past two yesterday afternoon it appeared from your tables that you accepted firstly our estimate of receipts for "Y" year, and also our estimate of expenses for "Y" year?—Not the estimate of expenses, no, because there was the maintenance adjustment, the £0.5m.

5692. Let us leave that out for the moment. Apart from that, you had accepted those two basic figures?—Working expenses.

5693. Working expenses on the one hand, £68.2m. You will see them on B.T.C. 401, and they are figures with which we are all familiar: £68.2m. working expenses; receipts, £67.7m. plus £0.4m. miscellaneous?—That is quite right.

5694. You were accepting, subject to your point about the abnormal maintenance, which I will deal with separately, that in "Y" year there would be a deficit of £0.1m.?—I was not accepting it. I had made up my mind about the £0.8m. after I had heard (Mr. Valentine's) evidence, but you did not know about it until yesterday.

5695. That is why I put the question, and I am going to follow up that table at a later stage, that until half-past two yesterday—I think it was half-past two when CC/H. 121 was put in—the position revealed from your tables and your amended tables was that you were accepting the figure of receipts for "Y" year?—Yes. There was just one point on that in regard to which I ought to give a complete answer. If you look at my original CC/H. 120—

5696. I think I am right, because it is implicit in all your tables?—There is just a point there. My mind has just gone back to when I was dictating my proof. If you will look at the original CC/H. 120 you will see that expression down at the bottom "and for further increases within present limits available under 1952 Scheme". Down to there it was £1.5m., and then I have a recollection of doing this when drafting the tables: I put "and other adjustments". That was put in to give me any cover I might have in regard to disagreeing with your income figures. That just gives you a full reply.

5697. May I take it broadly that you were accepting the receipts and accepting the working expenses?

(President): Not quarrelling with them.

5698. (Mr. Harold Willis): You were not quarrelling with them?—Except that we were waiting to settle the receipts point.

5699. You were waiting, although at that time in regard to the estimates of traffic receipts you had had Mr. Valentine's very full statement B.T.C. 5 which set out with particular precision how he had arrived at this estimate?—Yes, but it did not give me the key which I needed, as to how much of the increased charges the Commission thought they had actually got in last year, and a lot turned on that.

5700. We will deal with the key after Easter, but let us try and take it broadly if I may for the moment. That gives us this deficit of £0.1m., the receipts subtracted from the working expenses, the £68.2m. and the £68.1m.?—Yes.

5701. You accept, I presume, that London Transport must make some contribution towards central charges?—Yes, of course, but then the net result must be married with London Lines before forming any conclusion.

5702. You say that, and I will deal with that in a moment. Therefore, whatever the Tribunal considers to be an appropriate contribution from London Transport, must be the measure of the amount by which fares are to be increased?—Oh, no, certainly not.

5703. We had got to this position, that we show a deficit on London Transport of £0.1m.?—Yes.

5704. You accept that there must be an appropriate contribution from London Transport towards central charges?—Unquestionably.

5705. You cannot provide that appropriate contribution out of a deficit of £0.1m.?—No, as long as you accept the theory that London Transport must pay its way.

5706. Your mental elasticity is being stretched for the purpose of enabling you to approach this problem from the point of view of London Transport?—It was my fault. It seemed to me such an unnatural stretching that I had forgotten it. I am sorry.

(Mr. Geoffrey Lawrence): We are still on that ground, are we?

(Mr. Harold Willis): In a little while you will get used to it.

(Mr. Geoffrey Lawrence): He is getting more and more uncomfortable, I think.

5707. (Mr. Harold Willis): Assuming you have got that difficulty, would I be quite right in saying that you cannot provide an appropriate contribution from London Transport to central charges out of a deficit of £0.1m.?—On those premises you would, yes.

5708. Therefore, is the only question that arises for the Tribunal to decide what is the appropriate contribution, and looking at it from this point of view, to say London Transport fares must go up by that amount?—If we were working in this wrong atmosphere, yes.

5709. So that as far as London Transport is concerned, we have been spending 12 or 13 days already in discussing what is really a very simple problem?—Yes, if that were the premise.

5710. Now let us look at the matter from the other point of view. That was from the point of view of the budgetary statement; now let us look at it from the point of view of the changes last time?—Yes.

5711. B.T.C. 402?—Yes.

5712. Not cross-examined to by the Middlesex County Council at all?—We did not need to direct any criticism in that sense, except to point out that it does not provide a test at all because of the £3m.

5713. It shows, apart from this point about the trends with which I will deal, a deterioration of £4.9m. since the last Application?—Yes.

5714. But for any argument based on trends, would you agree that B.T.C. 402 of itself shows a need for additional revenue for London Transport of about £5m.?—Yes, and but for two other factors, or is it three: (1) that we can now produce evidence for the first time about pas' results in much better form than anything that has been done before.

5715. What do you mean by "past results"?—As to whether there is a deficit or not in London, which is

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[Continued]

relevant, you see, because a great deal was made of the accumulated London Transport deficit by the Commission both in 1952, and in their statements this time.

5716. Before you pass from that point and whilst it is fresh in my mind, what that amounts to is this: You are now in effect saying that the Tribunal came to a wrong decision last time in regard to, a number of matters, and one must correct that in considering a table like B.T.C. 402?—No. What I am really saying is that for all I know the Tribunal might have included something in their Award to cover past deficits on the London Transport Executive, if they thought that they existed.

5717. Is there any new feature in regard to London Transport past deficits at this Inquiry except a further argument by you?—There are no new factors affecting it are there?—Yes, there is a much more thorough elucidation of the old facts. For instance, no statement has ever been put in by the Commission to measure this deficit or surplus, whichever it may be, for the past years. It has been rather casually done: five times £5.5m., added on to the working surplus or knocked off, and therefore there must be a deficit of £9m. That is all that was done last time. I tried to take it further last time, but nothing like so far as I can do this time.

5718. You think that insufficient attention was paid last time to the question of the central charges; we should have spent more days on central charges than we in fact did?—No.

5719. We ought to have done it better?—Yes.

5720. I see. That was the first point. What was the second point?—The second point is that we can now present, after further experience and further examination, what I believe to be much more telling evidence about the maintenance allowances.

5721. And the third fact is the trends?—The third fact is the trends, yes.

5722. Which I will deal with separately. Apart from those factors is it not quite clear that London Transport's case for increased fares is overwhelming, and of the order of £5m.?—No, I would not say it is overwhelming, because there would still be material differences on the account for central charges and the other items.

5723. Yes, of the order of £5m.—Let me put it in this way, that if it were right to look at the London Transport Executive in isolation there is a clear case for some increase in charges.

5724. Let me just let you have your own way for a moment, Mr. Hill, and bring in London Lines?—Yes.

5725. From the tables you have put in, it is not clear that the financial position of London Lines, whatever it was following the Tribunal's decision last time, is £0.6m. worse today on your own figures?—Is it? I do not know that.

(*The Witness withdrew.*)

(*Mr. Harold Willis*): If you please, Sir. I understand there is one matter which Mr. Mercer wants to mention.

(*Mr. Mercer*): May it please you, Sir, before we rise, I have discussed this matter with Mr. Willis, and it was considered desirable that the matter of Mr. Rippon's questions might be raised again. I would like to raise it on his behalf, with your permission.

(*President*): Have you asked for the information?

(*Mr. Mercer*): Yes. The information has been asked for and Mr. Willis is of the opinion that an explanation might go on the record as to the scope of the reply.

(*Mr. Harold Willis*): May I try and deal with the matter as quickly as I can? There are two points: Mr. Rippon was asking for some figures in relation to the number of the fleet, to cover 1950 as well as the year with which we thought that he had been dealing. We are able to give him the statistics. It is the position at the end of 1951 which we are prepared to give him, but we should like the document put into the transcript as an exhibit.

(*President*): Very well. If you have the appropriate number, perhaps you will put it on it.

(*Mr. Harold Willis*): The other matter about which Mr. Rippon has also asked us in this written Application, is for the figures of staff employed in earlier years. If you recall, all he asked Mr. James for was the figure for the staff in 1953 or "Y" year. That Mr. Valentine gave, and he compared that with the figure for 1952.

5726. You recall the figures?—I think I can find it.

5727. It was in the figures with which you have just been dealing?—Yes. But I do not recall the £0.6m.

5728. £0.6m. was the increased expenses, and the £0.1m. was the increased revenue.—Yes, that is quite right.

5729. So that so far as London Lines are concerned, they are £0.6m. worse today than they were after the last hearing. Therefore if we put the two together, both parts are worse, London Transport to the extent of about £5m. and London Lines to the extent of about £0.6m.?—Yes.

5730. How in those circumstances can you say, except by reopening everything that happened last time, that there is not for the aggregation a case for increase of between £5m. and £6m.?—I do not say that you should do it except by reopening. I think it is right to reopen.

5731. Is this the view that, in your capacity trying to assist the Tribunal in this matter, you advance: assuming these Inquiries were to take place year by year, that each subsequent year all the matters which were debated the previous year should be reargued and new arguments put forward?—No, I do not think that at all.

5732. That, in fact, is what you are doing in regard to almost all the matters that are in your tables?—Yes. But if it were a question of coming and saying exactly the same thing again—

5733. All that you are, in fact, doing is this: You are running a number of the same horses but under different colours. Is that not right?

(*Mr. Geoffrey Lawrence*): I thought you were going to say "with a different jockey".

5734. (*Mr. Harold Willis*): Or with a different jockey. Is not that the position? You are starting the same horses afresh?—I think the odds on some of them are greatly improved.

5735. You think you have trained them better, but apart from that, if we were not reopening anything that was before the Tribunal last time, is my proposition not quite clear, that there is here a case for increase of between £5m. and £6m.?—And if you forget the £5m. also—if you forgot that factor as well.

5736. I am reserving that, and you are quite right to point it out. I reserve that point. But for that, you would agree?—And if you forget the £0.8m., yes, that is quite so. With all those reservations I could not do other than agree.

(*Mr. Harold Willis*): Would that be a convenient time at which to adjourn, Sir?

(*President*): I was just going to ask you the same question. Then we shall meet again on Tuesday the 14th at this place.

Mr. Rippon is now asking for comparable figures for 1951 and 1950. I do not know whether the Tribunal feels that that is information for which he ought to have. It certainly is not information for which he has asked during the course of the cross-examination. It is information, I understand, which could be given, but it will involve a good deal of research.

(*President*): I am not going to direct that. Mr. Rippon had a long cross-examination.

(*Mr. Mercer*): In fairness to Mr. Rippon, I must say that it does appear from a quick examination of the transcript, that that was the point of his cross-examination.

(*President*): So it may be. But as a rule when a cross-examination does not give you what you hope for, or sometimes gives you more than you expect, you do not get another chance after you have thought about it, and sat down and gone away.

(*Mr. Mercer*): I appreciate that. It was only that I thought in fairness to Mr. Rippon, having regard to the scope of the cross-examination, I ought to put that forward.

(*President*): You have put it forward, but I am not going to order any further information. If they choose to give you any further information than that which Mr. Willis has promised you and which is going to be printed, that is very good of them.

(*Mr. Mercer*): If you please, Sir.

(*Adjourned until Tuesday morning, 14th April, 1953, at 10.30 o'clock.*)

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B.T.C. 512

LONDON TRANSPORT EXECUTIVE

CHANGES IN OPERATING STOCK—BUSES, COACHES AND TRAMS

| | | End 1950 | End 1951 | End 1952 | Total Changes End 1950 to End 1952 |
|----|--|--------------|--------------|--------------|--|
| | | (1) | (2) | (3) | (4) |
| 1. | Operating Stock (B.T.C. Statistics Statement C.5, in issues Nos. 13 of 1950, 1951 and 1952):— | | | | |
| | (i) Buses and Coaches | 7,694 | 8,036 | 8,213 | |
| | (ii) Trams | 718 | 368 | — | |
| | (iii) Total (see Note A) | <u>8,412</u> | <u>8,404</u> | <u>8,213</u> | |
| 2. | Reduction in operating stock over year (see Note A) | — 8 | — 191 | — 199 | |
| 3. | The reductions are accounted for by:— | | | | |
| | (i) Changes in the numbers of serviceable vehicles stored (see Note B) | — 155 | — 13 | — 168 | |
| | (ii) Changes in Engineers' maintenance requirements | — 78 | — 84 | — 162 | |
| | (iii) Changes in numbers of Buses needed to replace Trams as compared with number of Trams withdrawn | + 40 | — 42 | — 2 | |
| | (iv) Changes in numbers of vehicles used for training | + 23 | — 51 | — 28 | |
| | (v) Vehicles required for augmentation and development of services and other changes in schedule requirements... | + 162 | — 1 | + 161 | |
| | Total reductions as in Item 2 above | — 8 | — 191 | — 199 | |

The figures in Col. 3 for items 2 and 3 (i) to (iv) are those already given in evidence by Mr. Valentine on the 14th Day Q. 4491 to 4495. (See notes below.)

NOTES:

A. The above figures exclude Trolleybuses, the operating stock of which was 1,763 in 1950 and 1951 and 1,770 in 1952. If these vehicles also are taken into account the total operating stock (Item 1) and the changes from year to year (Item 2) become—

| | End 1950 | End 1951 | End 1952 |
|---|----------|----------|----------|
| 1. Total operating stock | 10,175 | 10,167 | 9,983 |
| 2. Reduction in operating stock over year | — | — 8 | — 184 |

The figure of 184 in line 2 above differs from 191 in Item 2 of the main table because of a temporary increase of 7 in the Trolleybus stock in 1952.

B. Changes in the numbers of serviceable vehicles stored are analysed below:—

| | End 1950 | End 1951 | End 1952 | Changes End 1950 to End 1952 |
|--------------------------------------|------------|------------|------------|------------------------------------|
| Stored vehicles held for:— | | | | |
| Subsequent stages of Tram Conversion | 124 | 126 | — | — 124 |
| Festival of Britain | 150 | — | — | — 150 |
| Coronation | — | — | 120 | + 120 |
| Other causes | 30 | 23 | 16 | — 14 |
| | <u>304</u> | <u>149</u> | <u>136</u> | <u>— 168</u> |
| Change over year | — 155 | — 13 | | |

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[Continued]

CORRIGENDA

PROCEEDINGS

THIRD DAY—MONDAY, 9TH MARCH, 1953

Page 25, column 2, paragraph 2, line 4—"0·7m." should read "£·7m."

FOURTH DAY—TUESDAY, 10TH MARCH, 1953

Page 41, column 1, Question 157, last line—for "£20,00,000" read "£20,000,000"

SEVENTH DAY—MONDAY, 16TH MARCH, 1953

Page 246, line 9—for "Question 1538, line 11" should read "Question 1542, line 11"

TWELFTH DAY—TUESDAY, 24TH MARCH, 1953

Page 240, Table CC/H 112A, ref. 8—for "11·61" read "11·1·"

THIRTEENTH DAY—WEDNESDAY, 25TH MARCH, 1953

Page 260, Question 4196, line 2—for "it is" read "is it"

Page 260, Question 4205, line 3—for "rounding up" read "round overall"

Page 261, column 1, line 2—for "standard" read "preferential"

Page 261, Question 4223, line 7—delete "not"

Page 261, Question 4227, line 3—for "4·5" read "45·8"

Page 261, Question 4228, line 2—for "52" read "62"

Page 261, Question 4235, line 3—for "52" read "62"

Page 261, Question 4237, line 9—for "or" read "only"

FOURTEENTH DAY—THURSDAY, 26TH MARCH, 1953

Page 274, Question 4436, paragraph 3, line 3—for "differences of accountancy" read "devices of accountancy"

Page 274, Question 4444, line 2—for "1937" read "Y Year"

Page 275, Question 4454, column 1, line 1—after "misleading" add "then, in your submission made in a statement on the fifth day of the present charges"

Page 275, Question 4459, column 2, line 3—after "7 per cent." add "to pay above 2d. per day extra"

Page 275, Question 4462, line 1—for "Hansard 12th March" read "Hansard 11th March"

Page 276, Question 4468, column 1, lines 1 and 2—for "London Transport" read "London Area"

Page 281, Question 4566, column 2, line 5—insert "there is" instead of "with"

Page 281, Question 4566, column 2, line 6—insert full-stop after "rounding" and "You" instead of "you"

Page 281, Question 4566, column 2, line 8—insert full-stop after "£3,600,000," delete "although" and "In" instead of "in"

Page 282, Question 4612—for "2330" read "2,230"

Page 283, Question 4618, line 2—for "User" read "use"

Page 283, Question 4639, line 3—for "Could" read "should"

Page 285, Question 4685, line 5—insert "and" between "travelling" and "not"

Page 287, Question 4736, line 2—for "on" read "in"

Page 287, Question 4736, line 2—for "travel" read "receipts"

Page 288, Question 4751, line 7—for "has been" read "was"

Page 290, Question 4826, line 4—last sentence to read "A particular level of the fare is not peculiar to the locality"

Page 291, Question 4852, line 4—insert "only" after "not"

Page 293, Question 4891, line 6—for "Services" read "trains"